A grayscale map of the Southeastern United States serves as the background. It shows state boundaries and major cities. The Appalachian Mountains are labeled diagonally across the center. The text 'Serving the Southeast' is prominently displayed in green over the map.

# **Serving the Southeast**

**2002  
ANNUAL  
REPORT**

**SOUTHEASTERN  
POWER  
ADMINISTRATION**

# TABLE OF CONTENTS

<i>Fast Facts</i> .....	2	<i>Marketing Objectives</i> .....	8
<i>Letter to the Secretary</i> .....	3	<i>Rates &amp; Repayments</i> .....	9
<i>Marketing Area</i> .....	4	<i>Georgia-Alabama-South Carolina System</i> .....	10
<i>Water Compacts</i> .....	5	<i>Kerr-Philpott System</i> .....	12
<i>Power Operations Center</i> .....	5	<i>Cumberland System</i> .....	14
<i>Contract Negotiations</i> .....	5	<i>Jim Woodruff System</i> .....	16
<i>RTO Involvement</i> .....	6	<i>Customer Sales</i> .....	18
<i>Competitive Resource Strategies</i> .....	6	<i>A Closer Look</i> .....	20
<i>Technology Advances</i> .....	6	<i>Financial Overview, Financial Statements, and Independent Auditors' Report</i> .....	21
<i>Richard B. Russell Project</i> .....	7		
<i>Security</i> .....	7		

# SEPA FAST FACTS

Administrator: Charles A. Borchardt

Headquarters: 1166 Athens Tech Road  
Elberton, GA 30635-6711  
Telephone: 706-213-3800  
Fax: 706-213-3884  
website: <http://www.sepa.fed.us>

Number of Employees: 42

Service Area: Georgia, Florida, Alabama, Mississippi, Tennessee, Kentucky, West Virginia, Virginia, North Carolina, South Carolina, Southern Illinois

Customers:

Electric Cooperatives.....	127
Federal Utilities .....	1
Public Bodies .....	176
Investor-Owned Utilities.....	2
<b>TOTAL .....</b>	<b>306</b>

Southeastern's wholesale customers serve more than 18 million consumers

Nameplate Generating Capacity:.....3,412 mw

Financial Data: Total Revenues (2002).....\$161 million  
(includes Corps of Engineers' revenues)

Total Capital Investment .....\$2 billion

Term of repayment is 50 years from on-line date of each project.

Investment Repaid in 2002 ..... \$5 million

Cumulative Investment Repaid .....\$637 million

Cumulative Interest Paid on Investment....\$1 billion

Power sales repay an average of 63 % of the total cost of each multi-purpose project

# LETTER TO THE SECRETARY

Dear Secretary Abraham,

I am pleased to submit this summary of Southeastern Power Administration's (Southeastern's) activities, program, and accomplishments during the fiscal year (FY) 2002.

In FY 2002, Southeastern marketed more than 5.5 billion kilowatts-hours of energy to 306 preference power customers in 11 Southeastern states. This resulted in revenues from the sale of power totaling approximately \$152 million.

Drought conditions continued in the Southeast during this time which impacted Southeastern's operations. Our agency worked closely with the Corps of Engineers and preference power customers to meet contractual arrangements through replacement energy purchases. Agency employees coordinated with various electric industry personnel to secure energy at the lowest possible cost through a competitive bidding process.

As a transmission dependent utility, Southeastern fully participated with transmission owners, power marketers, and preference power customers in the Southeast to organize a Regional Transmission Organization (RTO). Southeastern participated in the SeTrans RTO Stakeholder's Advisory Committee in FY 2002. SeTrans is developing an RTO comprised of public power transmission owners, transmission customers, investor-owned utilities, and other interested parties located in the southeastern United States. Once operational, SeTrans will be one of the nation's largest RTOs, serving an area with more than



73,000 megawatts of generation and operating some 53,000 miles of transmission, with an investment in assets in excess of \$9 billion.

In May 2002, the U.S. District Court in Charleston, SC, dissolved an injunction that had prohibited operation of the Richard B. Russell pumped storage turbines. After some testing, these turbines were declared

commercially available in September 2002 and Southeastern began power sales to the preferences customers.

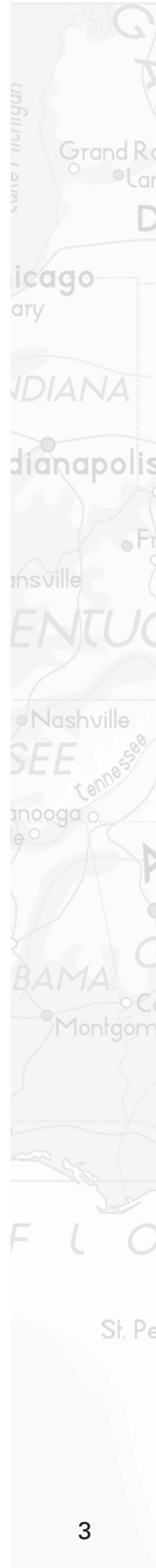
Southeastern continued to closely follow and participate in mediation efforts among the states of Alabama, Florida, and Georgia in the Alabama-Coosa-Tallapoosa (ACT) and Apalachicola-Chattahoochee-Flint (ACF) Water Compacts. Any final agreements could alter water releases from the Corps of Engineers' reservoirs which may impact hydropower generation.

Although ever increasing demands are made upon hydroelectric power, Southeastern will continue to address these challenges while meeting the needs of its customers in the Southeast. Our employees are positioned to respond to the future needs of the electric industry and look forward to continuing a successful Public Power Program in the Southeast.

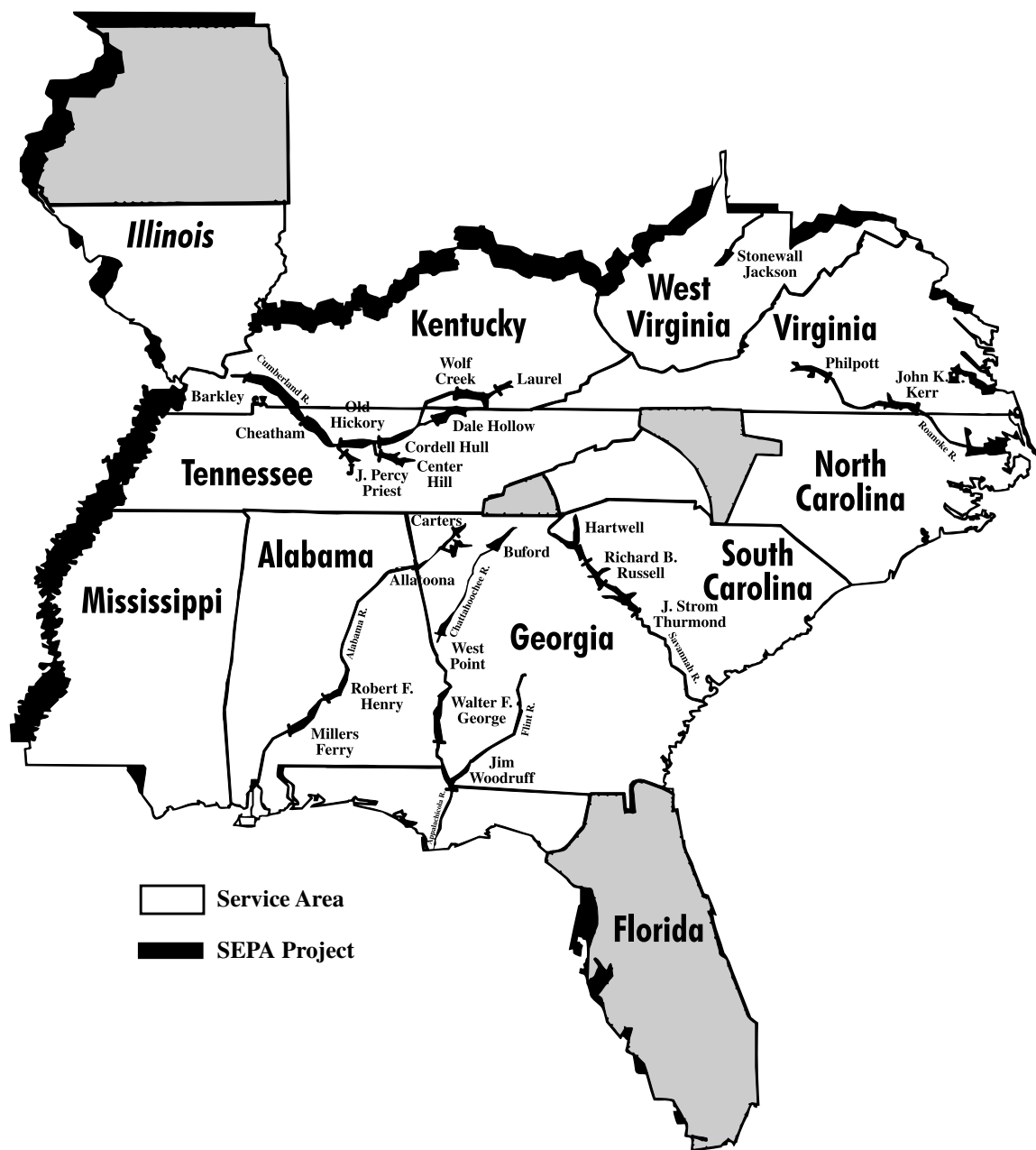
Sincerely,

A handwritten signature in dark ink that reads "Charles A. Borchardt". The signature is written in a cursive, flowing style.

Charles A. Borchardt,  
Administrator



# SEPA MARKETING AREA





# REPORT OF ACTIVITIES

## Water Compacts

The Compacts for sharing waters between states were extended again in FY 2002. The States of Alabama, Georgia, and Florida extended negotiations on the Apalachicola-Chattahoochee-Flint (ACF) River Basin Compact until January 2003, and the Alabama-Coosa-Talapoosa (ACT) River Basin Compact was extended to January 2003, by Alabama and Georgia. Alec L. Poitevint II, of Bainbridge, GA, replaced Lindsey Thomas as Federal Commissioner for the ACF compact. Drayton Nabers, Jr., of Birmingham, AL, was appointed Federal Commissioner for the ACT Compact. Poitevint and Nabers are to serve as each other's alternate. If the states are successful in reaching an agreement, the Federal Commissioners will review the allocation formulas and cast a vote of concurrence or non-concurrence based upon the agreements' compliance with Federal law. Southeastern continues to be involved in reviewing the proposals, determining potential impacts to the Federal Power Program, and briefing stakeholders.

## Power Operations Center

The drought, which began during the summer of 1998, continued in the Southeast during FY 2002. Southeastern's Power Operations Center employees continued to purchase replacement energy during this period in an attempt to reduce the amount of water drawn for generation purposes and thereby preserve the capacity resource and operational flexibility of the projects. During FY 2002, 400,860 megawatt-hours of replacement energy was purchased at a cost of \$16,638,502 for the Georgia-Alabama-South Carolina System, and a total of 32,464

megawatt-hours of replacement energy was purchased at a cost of \$1,288,057 for the Kerr-Philpott System.

## Contract Negotiations

Early in FY 2002, execution of amended contracts for the Southern Company, Municipal Energy Authority of Georgia, Georgia Transmission Corporation, Oglethorpe Power Company, and preference customers in each service area was completed to restore capacity losses incurred when the Southern Company contract was implemented in 1996. These amendments were effective retroactively to July 1, 2001.

Official notices were sent on September 1, 2002, to all Georgia-Alabama-South Carolina System customers to inform them of the declaration of commercial operation of the pumped storage units at the Richard B. Russell Project. Amendments were made, to include the additional network services, to Duke service area contracts for those preference customers who elected to self-schedule.

Southeastern met with the Southern Company and participants to discuss issues related to the transmission of the Russell pumped storage capacity. The Southern Company stated their need for a System Impact Study estimated to be complete within sixty (60) days. Southeastern signed an agreement for this study. Preference customers in the Southern Company area are not currently receiving their Russell capacity due to pending transmission arrangements and negotiations are in progress for delivery of this capacity.

# SEPA REPORT OF ACTIVITIES

## RTO Involvement

As a transmission-dependent utility, Southeastern participated in a series of Regional Transmission Organization (RTO) meetings in FY 2002. As a result, Southeastern participated in the SeTrans RTO Stakeholder's Advisory Council, comprised of public power transmission owners, transmission customers, investor-owned utilities, and other stakeholders located in the Southeastern United States. Mediation continues among the stakeholders in order to combine southeastern transmission owners into RTOs which was ordered by the Federal Energy Regulatory Commission (FERC) July 12, 2001.

## Competitive Resource Strategies

The Competitive Resource Strategies program supports Southeastern's efforts to insure that its hydropower resources are used efficiently. This is accomplished by co-sponsoring workshops that promote energy and economic efficiency. Trade groups, consultants and other entities that have an in depth understanding of municipal and cooperative utility issues provide the training.

Energy efficiency workshops focus on power quality and energy audits for residential, commercial and industrial customers. The audits directly train utility personnel and end-use customers in the use of new technology as well as traditional methods of efficient use of energy.

Economic efficiency workshops introduce new marketing options, management skills and governing board development. By learn-

ing how to promote the strategic use of energy, preference customers can improve their ability to manage load. Efficiently managing load allows preference customers to reduce peaks, fill in valleys, and postpone the addition of peaking resources.

Southeastern has also partnered with Western Area Power Administration by co-sponsoring the Utility Options Database which is located on the internet at [www.utilityoptions.org](http://www.utilityoptions.org). The *Utility Options for a Competitive Edge* Database provides examples of what other public power entities are doing to retain existing customers and win new customers; diversify and market their services; and deliver their services more efficiently and cost-effectively.

## Technology Advances

During FY 2002, Southeastern continued to focus on technological advances of telecommunications and computer services. Upgrades of hardware, software and network services were performed to meet Southeastern's additional data processing requirements. Technology upgrades to enhance Southeastern's ability to meet mission functions will continue into the future as necessary. Additional upgrades in telecommunications capabilities are planned for FY 2003.

Southeastern continues to partner with the Power Marketing Administration Information Technology Alliance (PMAITA.) The PMAITA is comprised of expert information technology personnel from Bonneville Power Administration, Southeastern Power Administration, Southwestern Power Administration, and Western Area Power Administration. The

# REPORT OF ACTIVITIES

PMAITA has worked collectively on many issues that face the Power Marketing Administrations (PMAs). In many instances, the PMAITA responds collectively on issues. The PMAITA share technology, information, knowledge, and expertise. Information sharing and coordination between PMAs saves time and expedites many of processes utilizing the common areas between the PMAs.

## **Richard B. Russell Project**

On May 3, 2002, the U.S. District Court in Charleston, S.C., dissolved an injunction entered on May 24, 1988, which had prohibited operation by the US Army Corps of Engineers (Corps) of the Richard B. Russell Dam and Lake pumped storage turbines after 14 years of environmental litigation brought by the States of South Carolina and Georgia and the National Wildlife Federation. By this ruling, the Court ordered that the project built by the Corps' Savannah District be allowed to operate in a pumping mode. The four pumped storage units were declared commercially available on September 1, 2002. Preference customer allocations in the Georgia-Alabama-South Carolina System have been increased to those customers having available transmission facilities. The remaining customer allocations will be available when adequate transmission arrangements are established.

## **Security**

Additional protective measures for critical assets and the protection of the critical infrastructure were implemented during FY 2002. Special emphasis was placed on cyber security, emergency preparation, user awareness, and facilities security. A backup emergency opera-

tions site was planned, designed, and implemented. The emergency site meets all the North American Electric Reliability Council and the Southeastern Electric Reliability Council required criteria for emergency operations. The emergency site will also be used as an alternate facility for all functional areas of Southeastern in emergency situations.

Information Technology continues to enhance Southeastern's Cyber Security Program as well as the Facilities Security Program. Associates have been extensively trained in cyber security and facilities security. Additional security measures have been implemented that provide for visitor accountability and access control. Additional surveillance equipment has been installed at the headquarters location as well as the emergency site. Additional security measures will be implemented as necessary to comply with the security condition requirements based on the latest national threat level. Southeastern routinely coordinates and cooperates with all security offices and agencies.

The PMA Information Technology Alliance has been very beneficial in coordination of security activities between the PMAs and the Department of Energy. The Alliance sponsors a Cyber Security Peer Review Group which performs a peer review on each PMA a minimum of once every two years. The Peer Review Group is comprised of Information Technology experts from each PMA. Southeastern was reviewed by the group during FY 2002 and was commended in many areas for excellent security practices. A corrective action plan was developed and implemented for those areas of concern.





# MARKETING OBJECTIVES

Southeastern Power Administration was created in 1950 by the Secretary of the Interior to carry out the functions assigned to the Secretary by the Flood Control Act of 1944. In 1977, Southeastern was transferred to the newly created Department of Energy. Headquartered in Elberton, Georgia, Southeastern markets electric power and energy in the states of West Virginia, Virginia, North Carolina, South Carolina, Georgia, Florida, Alabama, Mississippi, Tennessee, Kentucky, and southern Illinois, from reservoir projects operated by the U.S. Army Corps of Engineers.

The objectives of Southeastern are to market the electric power and energy generated by the Federal reservoir projects and to encourage widespread use of the power at the lowest possible cost to consumers. Power rates are formulated based on sound financial principles. Preference in the sale of power is given to public bodies and cooperatives, referred to as preference customers. Southeastern does not own transmission lines and must contract with other utilities to provide transmission service for the delivery of Federal power.

The responsibilities of Southeastern include the negotiation, preparation, execution, and administration of contracts for the sale of electric power; the preparation of wholesale rates and repayment studies; the provision, by construction, contract or otherwise, of transmission and related facilities to interconnect reservoir projects and to serve contractual loads; and activities pertaining to the operation of power facilities to ensure and maintain continuity of electric service to customers.

## **Section 5 of the Flood Control Act of 1944**

“Electric power and energy generated at reservoir projects under the control of the Department of the Army not required in the operation of such projects shall be delivered to the Secretary of Energy, who shall transmit and dispose of such power and energy in such manner as to encourage the most widespread use thereof at the lowest possible rates to consumers consistent with sound business principles, the rate schedules to become effective upon confirmation and approval by the Secretary of Energy. Rate schedules shall be drawn having regard to the recovery (upon the basis of the application of such rate schedules to the capacity of the electric facilities of the projects) of the cost of producing and transmitting such electric energy, including the amortization of the capital investment allocated to power over a reasonable period of years. Preference in the sale of such power and energy shall be given to public bodies and cooperatives. The Secretary of Energy is authorized, from funds to be appropriated by Congress, to construct or acquire, by purchase or other agreement, only such transmission lines and related facilities as may be necessary in order to make the power and energy generated at said projects available in wholesale quantities for sale on fair and reasonable terms and conditions to facilities owned by the Federal Government, public bodies, cooperatives, and privately owned companies. All monies received from such sales shall be deposited in the Treasury of the United States as miscellaneous receipts.”

# RATES & REPAYMENTS

One of the major responsibilities of Southeastern is to design, formulate, and justify rates. Repayment studies prepared by the agency determine revenue requirements and appropriate rate levels. Repayment studies for each of Southeastern's four power marketing systems are updated annually and demonstrate the adequacy of the rates for each sys-

tem. Rates are considered to be adequate when revenues are sufficient to repay all costs associated with power production and transmission costs. Power production and transmission costs include the amortization of Federal investment allocated to power. An outline of the status of repayment is included in the table below.

**Status of Repayment as of September 30, 2002- Table 1**

System	Initial Year of Repayment Studies	Cumulative Revenue	Cumulative Expenses and Interest	Total Investment to be Repaid	Investment Repaid to Date	Unpaid Balance Of Investment
		\$	\$	\$	\$	\$
Georgia- Alabama- S. Carolina	1950	2,278	1,992	1,416	286	1,130
Jim Woodruff	1957	128	105	63	24	40
Cumberland	1949	980	741	388	238	150
Kerr-Philpott	1953	386	296	95	89	6
<b>TOTAL</b>		<b>3,772</b>	<b>3,135</b>	<b>1,963</b>	<b>637</b>	<b>1,326</b>

*(Dollars in Millions)*

# SEPA GEORGIA-ALABAMA-

The Georgia-Alabama-South Carolina System consists of ten projects located in Georgia, Alabama, and South Carolina. The power generated at these projects is sold to 186 preference customers in Georgia, Alabama, South Carolina, North Carolina, Mississippi, and Florida.

## Generation

Generation from streamflow for FY 2002 was 56 % of the average. Figure A illustrates the percent of average generation by project, and Figure B shows system generation for the years 1992 through 2002.

During FY 2002, drought conditions continued in the Georgia-Alabama-South Carolina System. Southeastern purchased 400,860 megawatt-hours of replacement energy in order to meet contractual obligations and conserve water in the reservoirs. Southeastern participated in several public information sessions regarding water management during the drought.

## Financial Performance

Total revenue for the Georgia-Alabama-South

Carolina System was \$106 million in FY 2002. Of this amount, \$98 million was derived from the sale of 2,468,463 megawatt-hours of energy and 2,067.5 megawatts of capacity. Total operating expenses, excluding depreciation, were \$70 million, interest charged to Federal investment was \$31 million, and repayment of the Federal investments was \$5 million. Figure C shows the revenue by source for this system, and Figure D shows the application of revenues.

Table 2 indicates the allocation of costs by project function for each project in the system, and Table 3 indicates the current rates. Current rates for the Georgia-Alabama-South Carolina System were approved on a final basis by the Federal Energy Regulatory Commission (FERC) on February 26, 1999. On April 23, 1999, the Commission issued an order granting a rehearing for further consideration for these rates. The rehearing was denied by FERC on July 31, 2001. In FY 2002, Southeastern proposed new rates to become effective October 1, 2002. These proposed rates were approved on an interim basis by the Secretary of the Energy on July 25, 2002. Final approval by FERC is pending.

**Cost Allocation by Project Function as of September 30, 2002 - Table 2**

Project	Total \$	Power %	Nav. %	Flood Control %	Fish and Wildlife %	Rec. %	Other %
Allatoona	58,455,184	67.59	—	14.76	—	17.26	0.4 (a)
Buford	82,137,949	75.78	2.47	5.58	—	16.18	—
Carters	151,678,997	85.70	—	8.94	—	5.36	—
J. Strom Thurmond	149,627,027	86.41	3.02	2.77	—	7.80	—
Walter F. George	171,431,173	58.50	36.02	—	0.20	5.27	—
Hartwell	173,479,477	89.31	2.07	2.61	—	6.01	—
Robert F. Henry	100,349,621	63.96	23.57	—	—	12.46	—
Millers Ferry	87,499,269	60.18	34.27	—	—	5.55	—
West Point	157,215,330	40.99	1.65	12.59	10.24	34.53	—
Richard B. Russell	746,449,667	90.46	—	0.61	—	8.93	—
<b>TOTAL-GA/AL/SC</b>	<b>1,878,323,694</b>	<b>78.41</b>	<b>6.82</b>	<b>3.18</b>	<b>0.88</b>	<b>10.70</b>	<b>0.01</b>

(a) water supply

# SOUTH CAROLINA SYSTEM

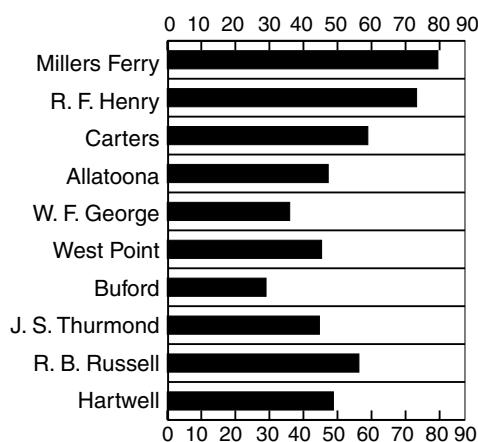
## Project Rehabilitation

The rehabilitation work at the J. Strom Thurmond and Walter F. George Projects continued during FY 2002. Planning also continued for the rehabilitation of the Buford and Allatoona projects.

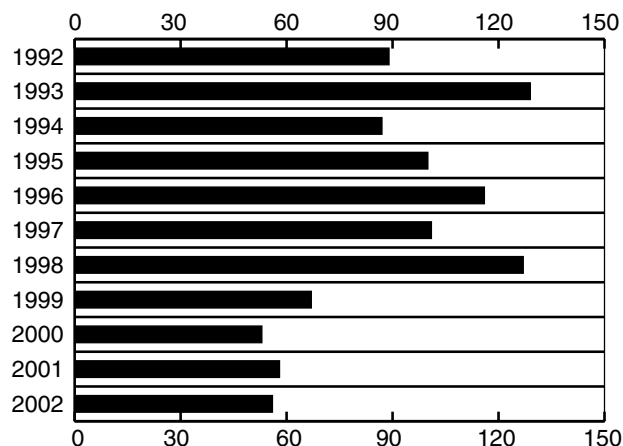
**Basic Power Rate Schedule as of September 30, 2002 - Table 3**

Preference Customers	Capacity \$/KW/ Month	Energy Mills/ KWh	Trans. \$/KW/ Month	Ancillary & Generation Service
Municipal Elec. Auth. of Georgia & City of Dalton	2.66	7.21	—	.14
Oglethorpe Power Corp. Area	2.66	7.21	—	.09
Southern Company	2.66	7.21	2.08	.25
AEC Off System	2.66	7.21	2.08	.20
Alabama Electric Cooperative	2.66	7.21	—	.09
So. Mississippi Electric Power Assoc.	2.66	7.21	1.79	.09
So. Carolina Public Ser. Auth.	2.66	7.21	—	.03
Preference Customers -SCPSA	2.66	7.21	1.52	.03
Duke Power Area	2.66	7.21	.71	.03
So. Carolina Electric & Gas Area	2.66	7.21	.82	.03

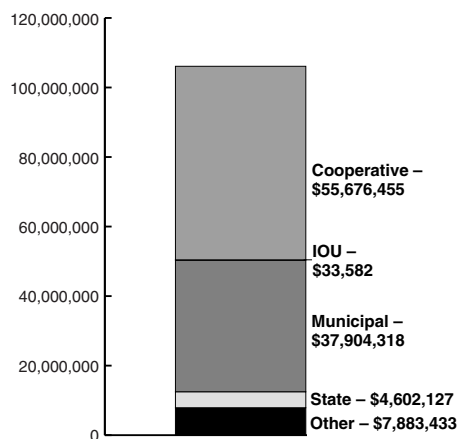
**Actual Generation as a Percentage of Average Project Generation - Figure A**



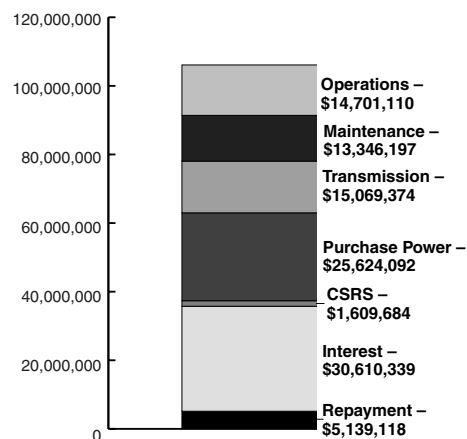
**Actual Generation as a Percentage of Average System Generation - Figure B**



**FY 2002 Revenue by Source Figure C**



**FY 2002 Application of Revenues Figure D**





# KERR-PHILPOTT SYSTEM

The Kerr-Philpott System consists of two projects – John H. Kerr on the Roanoke River and Philpott on the Smith River. Power generated at the projects is marketed to preference customers in North Carolina and Virginia.

## Generation

Generation for FY 2002 was 25 % of average. Figure E illustrates the percent of average generation by project for the year. Figure F shows the system generation by year from 1992 through 2002.

During FY 2002, drought conditions emerged in the Kerr-Philpott System. Southeastern purchased 32,464 megawatt-hours of replacement energy in order to meet contractual obligations and conserve water in the reservoirs. Southeastern participated with the Wilmington District Corps of Engineers in weekly stakeholder conference calls and meetings regarding water management during the drought.

## Financial Performance

Total revenue for the Kerr-Philpott System was \$10.6 million this past year. Of this amount, \$10 million was derived from the sale of 149,705 megawatt-hours of energy and 196.5 megawatts of capacity. Total operating expenses, excluding depreciation, were \$12.7 million. Interest charged to Federal investment was \$0.1 million. The Kerr-Philpott System incurred a repayment deficit of \$2.2 million during FY 2002. Figure G shows the revenue by source for the Kerr-Philpott System, and Figure H shows the application of revenues.

Table 4 indicates the allocation of costs by project function for each project in the system. Table 5 indicates the current rates. Current rates for the Kerr-Philpott System were approved on a final basis by the Federal Energy Regulatory Commission on March 6, 2002.

### Cost Allocation by Project Function as of September 30, 2002 - Table 4

Project	Total \$	Power %	Nav. %	Flood Control %	Fish and Wildlife %	Rec. %	Other %
John H. Kerr	129,179,230	74.35	–	19.05	–	6.33	0.28(a)
Philpott	18,735,102	46.60	–	42.80	–	10.60	–
TOTAL- Kerr-Philpott System (a) water supply	147,914,332	70.83	–	22.05	–	6.87	0.24

### Basic Power Rate Schedule as of September 30, 2002 - Table 5

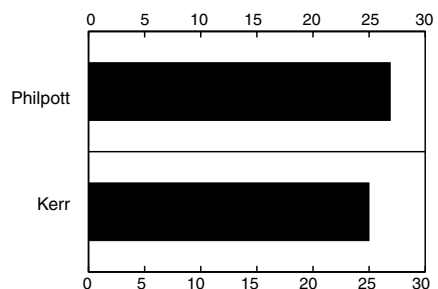
	Capacity \$/KW/ Month	Energy Mills/ KWh	Trans. \$/KW/ Month
Preference Customers			
Virginia Power Co. Area	1.96	8.25	1.36
Carolina Power & Light Co. Area	1.96	8.25	1.07

# KERR-PHILPOTT SYSTEM

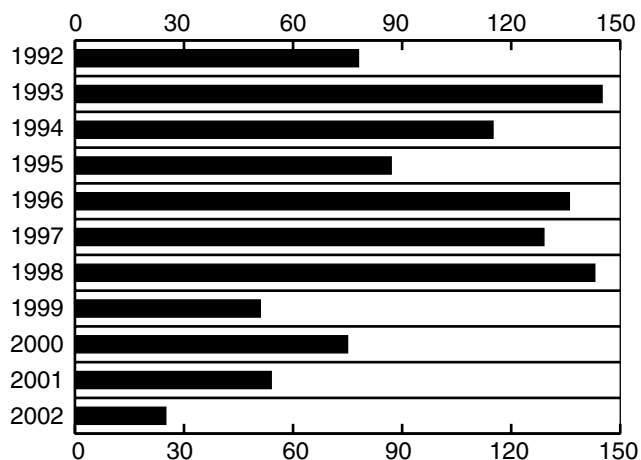
## Rehabilitation

Planning and preparation for the rehabilitation of the John H. Kerr Dam continued in FY 2002. Rehabilitation work is expected to start in FY 2003.

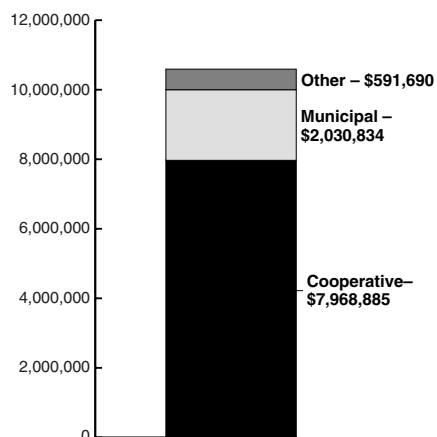
**Actual Generation as a Percentage of Average Project Generation - Figure E**



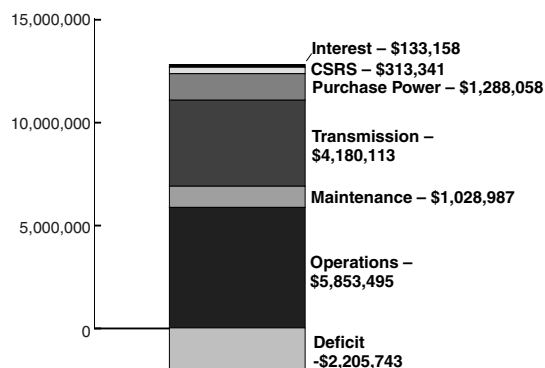
**Actual Generation as a Percentage of Average System Generation - Figure F**



**FY 2002 Revenue by Source Figure G**



**FY 2002 Application of Revenues Figure H**



# CUMBERLAND SYSTEM

There are ten projects in the Cumberland System located in Tennessee, Kentucky, and West Virginia. The power produced at these projects is delivered to 22 preference customers in Tennessee, Kentucky, Illinois, Mississippi, and North Carolina.

## Generation

Generation for the system during FY 2002 was 89 % of average. The percentage of average generation by project is shown in Figure I, and Figure J shows system generation for the years 1992 through 2002.

During FY 2002, drought conditions relaxed in the Cumberland System. Southeastern did not purchase any replacement energy in order to meet contractual obligations.

## Financial Performance

Total revenue for the Cumberland System was \$39.3 million. Of this amount, \$38 million was derived from the sale of 2,729,255 megawatt-hours of energy and 948.3 megawatts of capacity. Total operating expenses, excluding depreciation, were \$32 million. Interest charged to Federal investment was \$4.6 million, and a repayment of the Federal investment was \$2.7 million. Figure K shows the revenue by source for the Cumberland System, and Figure L shows the application of revenues for this system.

Table 6 indicates the allocation of costs by project function for each project in this system, and Table 7 indicates the current rates. These rates were approved on a final basis by the Federal Energy Regulatory Commission on March 17, 2000.

**Cost Allocation by Project Function as of September 30, 2002 - Table 6**

Project	Total \$	Power %	Nav. %	Flood Control %	Fish and Wildlife %	Rec. %	Other %
Barkley	195,776,675	25.34	58.73	11.59	–	4.34	–
J. Percy Priest	67,849,183	17.20	–	37.97	–	44.83	–
Cheatham	51,176,647	42.04	48.70	–	–	9.25	–
Cordell Hull	90,623,241	46.92	19.30	–	–	26.78	7.00(b)
Old Hickory	69,751,395	56.25	35.84	–	–	7.91	–
Center Hill	80,548,186	49.01	–	35.85	–	14.27	0.86 (a)
Dale Hollow	35,284,432	58.08	–	30.17	–	11.76	–
Wolf Creek	219,572,394	59.28	–	37.13	–	3.48	0.11(a)
Laurel	51,724,687	53.28	–	–	–	35.07	11.65(b)
Stonewall Jackson	211,393,448	0.38	–	16.98	–	82.64	–
TOTAL- Cumberland System	1,073,700,288	35.67	16.99	19.13	–	26.97	1.24

(a) World War II Suspension Costs

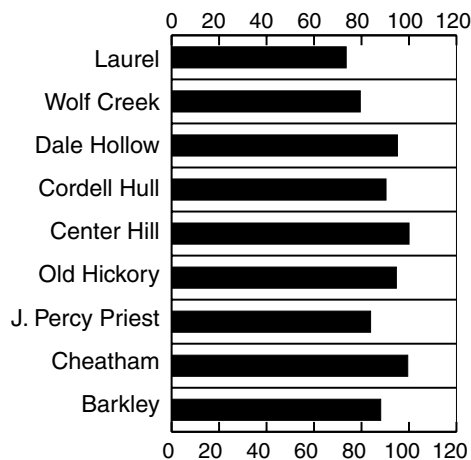
(b) Area Redevelopment

# CUMBERLAND SYSTEM

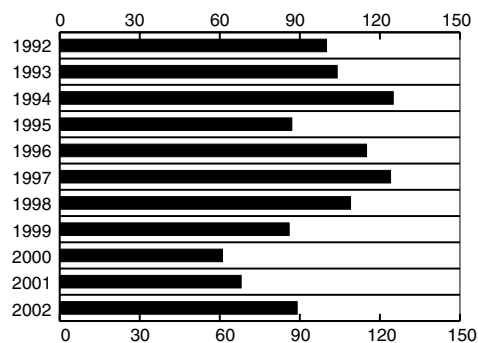
**Basic Power Rate Schedule as of September 30, 2002 - Table 7**

Preference Customers	Capacity \$/KW/ Month	Energy Mills/ KWh	Trans. \$/KW/ Month
Tennessee Valley Authority	1.43	8.63	-
Carolina Power & Light Co. Area	3.30	-	1.25
Kentucky Utility Area	2.90	8.63	-
Stonewall Jackson	-	14.00	-
Other Preference Customers	2.90	-	-

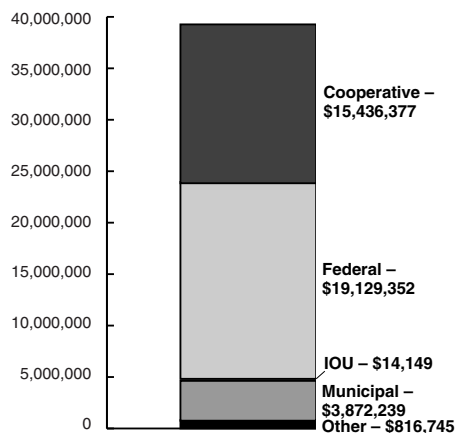
**Actual Generation as a Percentage of Average Project Generation - Figure I**



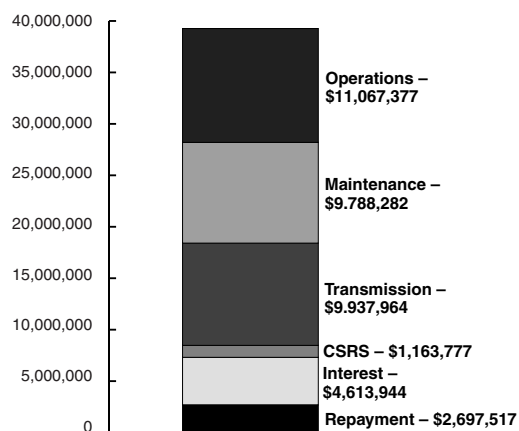
**Actual Generation as a Percentage of Average System Generation - Figure J**



**FY 2002 Revenue by Source  
Figure K**



**FY 2002 Application of Revenues  
Figure L**





# JIM WOODRUFF SYSTEM

The Jim Woodruff System is a one-project system located in the northern panhandle of Florida near the Georgia-Florida border. This system has seven customers located in the northern part of Florida.

## Generation

Generation during FY 2002 was 61 % of average. Figure M illustrates the system's generation for the years 1992 through 2002.

## Financial Performance

Revenues from the sale of power for the Jim Woodruff System were \$5.3 million this past year. However, total revenues were \$4.7 million which reflect a credit of \$0.6 million to the Corps of Engineers' revenues. Approx-

imately 193,683 megawatt-hours of energy and 36 megawatts of capacity were sold. Total operating expenses, excluding depreciation, were \$3.2 million. Interest charged to Federal investment was \$1.5 million.

The Jim Woodruff System incurred a repayment deficit of \$.04 million in FY 2002. Figure N shows the revenue by source for the system, and Figure O shows the application of revenues.

Table 8 indicates the allocation of costs by project function for the project in the system, and Table 9 indicates the current rates. Current rates for the Jim Woodruff System were approved on an interim basis by the Secretary of Energy on July 25, 2002.

### Cost Allocation by Project Function as of September 30, 2002 - Table 8

Project	Total \$	Power %	Nav. %	Flood Control %	Fish and Wildlife %	Rec. %	Other %
Jim Woodruff	98,490,972	60.75	32.68	—	—	6.56	—
TOTAL- Jim Woodruff System	98,490,972	60.75	32.68	—	—	6.56	—

### Basic Power Rate Schedule as of September 30, 2002 - Table 9

	Capacity \$/KW/ Month	Energy Mills/ KWh
Preference Customers	5.79	16.25
Investors Owned Utility*	—	12.60

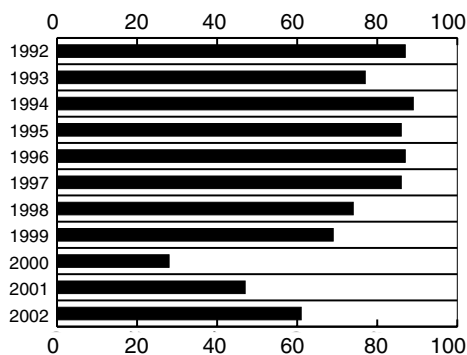
\*Rate determined at 70% of Investor Owned Utility avoided cost

# JIM WOODRUFF SYSTEM

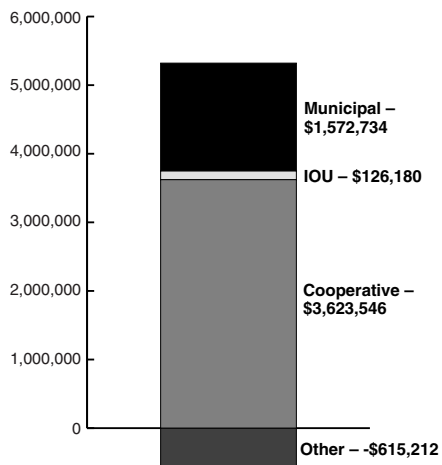
## Rehabilitation

The rehabilitation work at the Woodruff Project has been completed. Due to poor water conditions in the basin, the rehabilitated units have not been completely tested.

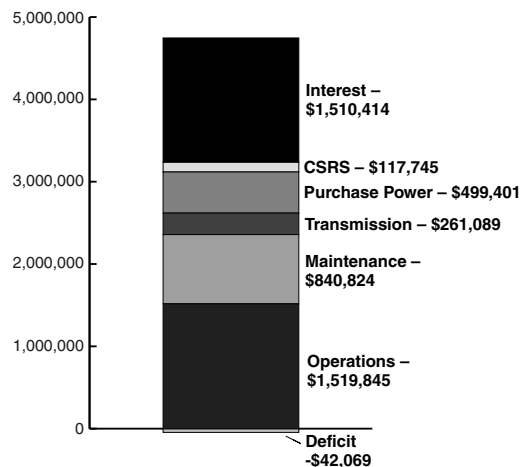
**Actual Generation as a Percentage of Average System Generation - Figure M**



**FY 2002 Revenue by Source Figure N**



**FY 2002 Application of Revenues Figure O**



# SEPA CUSTOMER SALES

Georgia-Alabama-South Carolina Sales	KW	KW	\$	Customer	KW	Energy	Revenue
<b>Georgia-Alabama-South Carolina Sales</b>							
<b>Alabama Preference Customers</b>							
<b>Alabama</b>							
Alabama EC	100,000	130,279,000	4,219,375.47	City of Brinson	144	198,087	6,635.13
Baldwin County EMC	16,064	21,329,783	1,044,939.67	City of Buford	2,210	3,032,582	101,763.24
Black Warrior EMC	17,267	23,803,482	1,139,592.25	City of Cairo	5,781	7,932,017	266,189.37
Central Alabama EC	17,480	23,210,887	1,137,057.09	City of Calhoun	6,972	9,565,167	321,020.64
Clarke-Washington EMC	6,520	8,657,228	424,116.37	City of Camilla	5,760	7,902,093	265,212.33
Coosa Valley EC	5,273	7,001,581	343,001.80	City of Cartersville	16,057	22,030,369	739,342.58
Dixie EC	6,596	8,758,199	429,060.44	City of College Park	14,283	19,596,328	657,658.27
Pea River EC	3,263	4,325,157	212,185.64	City of Commerce	4,255	5,837,142	195,914.05
Pioneer EC	9,585	12,727,882	623,498.64	City of Covington	8,703	11,940,780	400,730.28
Tallapoosa River EC	10,738	14,247,262	698,408.32	City of Dalton	41,822	59,599,504	1,940,058.04
Tombigbee EC	6,044	8,330,783	398,882.70	City of Doerun	590	809,449	27,166.12
Wiregrass EC	7,747	10,286,597	503,932.32	City of Douglas	9,560	13,116,476	440,189.64
City of Alexander City	7,366	10,152,876	486,129.11	City of East Point	31,535	43,265,561	1,452,018.50
City of Dothan	48,503	66,857,355	3,201,053.38	City of Elberton	10,926	14,990,460	503,085.26
City of Evergreen	3,890	5,361,455	256,723.19	City of Ellaville	870	1,194,219	40,064.18
City of Fairhope	5,833	8,040,745	384,964.62	City of Fairburn	1,646	2,258,758	75,793.80
City of Foley	19,773	27,255,246	1,304,957.37	City of Fitzgerald	9,087	12,466,637	418,402.53
City of Hartford	2,961	4,037,449	195,065.24	City of Forsyth	3,487	4,784,011	160,556.86
City of LaFayette	2,239	3,085,632	147,761.58	City of Fort Valley	8,797	12,069,038	405,051.97
City of Lanett	5,003	6,896,374	330,180.26	City of Grantville	448	614,208	20,623.96
City of Lufverne	2,968	4,090,729	195,875.46	City of Griffin	16,966	23,277,325	781,195.82
City of Opelika	19,350	26,672,298	1,277,041.51	City of Hampton	782	997,458	50,967.63
City of Piedmont	3,618	4,986,699	238,773.49	City of Hogansville	1,447	1,985,142	66,625.53
City of Robertsdale	3,252	4,482,717	214,623.30	City of Jackson	1,929	2,646,382	88,818.58
City of Sylacauga	15,754	21,715,751	1,039,718.51	City of LaFayette	6,204	8,512,029	285,663.22
City of Troy	9,495	13,087,746	626,638.75	City of Lagrange	15,815	21,698,335	728,199.86
City of Tuskegee	11,045	15,224,288	728,934.03	City of Lawrenceville	4,332	5,944,028	199,470.78
<b>Alabama Total</b>	<b>367,627</b>	<b>494,905,201</b>	<b>21,802,490.51</b>	City of Marietta	34,077	46,752,742	1,569,060.50
<b>Florida</b>							
Choctawhatchee EC	1,102	1,454,259	71,611.49	City of Monroe	6,813	9,347,129	313,700.36
West Florida ECA	7,327	9,695,699	476,352.36	City of Monticello	1,748	2,398,417	80,487.72
<b>Florida Total</b>	<b>8,429</b>	<b>11,149,958</b>	<b>547,963.85</b>	City of Moultrie	14,508	19,904,154	668,010.42
<b>Georgia</b>							
Altamaha EMC	10,012	10,916,331	434,838.55	City of Newnan	6,451	8,851,200	297,038.85
Amicalola EMC	10,621	11,579,986	461,285.10	City of Norcross	1,583	2,171,830	72,888.47
Canoochee EMC	8,524	9,293,433	370,207.56	City of Oxford	402	551,508	18,509.64
Carroll EMC	15,660	17,073,825	680,134.62	City of Palmetto	862	1,182,821	39,692.07
Central Georgia EMC	12,116	13,209,678	526,212.50	City of Quitman	4,221	5,791,543	194,358.16
Coastal EMC	2,827	3,082,711	122,785.05	City of Sandersville	4,732	6,492,685	217,887.38
Cobb EMC	34,936	38,091,069	1,517,326.52	City of Sylvania	4,988	6,843,255	229,668.87
Colquitt EMC	35,551	38,761,522	1,544,035.94	City of Sylvester	3,653	5,012,018	168,202.58
Coweta-Fayette EMC	11,965	13,045,462	519,658.27	City of Thomaston	7,080	9,713,374	325,993.64
Diverse Power, Inc.	10,842	11,821,210	470,886.20	City of Thomasville	23,396	32,098,601	1,077,257.46
Excelsior EMC	8,169	8,907,244	354,797.39	City of Washington	4,764	6,535,437	219,350.33
Flint EMC	51,529	56,181,893	2,237,980.01	City of West Point	4,496	6,167,764	207,010.57
Grady EMC	9,662	10,534,670	419,636.93	City of Whigham	286	391,897	13,164.37
Greystone Power Corporation	28,344	30,904,120	1,231,028.89	Crisp County Power Commission	16,918	23,210,348	778,975.45
Habersham EMC	9,393	10,241,349	407,953.64	Town of Mansfield	365	500,206	16,801.16
Hart EMC	17,380	18,949,270	754,838.11	Southern Company	-	2,327,000	33,581.97
Irwin EMC	7,681	8,374,962	333,600.73	<b>Georgia Total</b>	<b>1,008,605</b>	<b>1,229,388,206</b>	<b>45,029,937.48</b>
Jackson EMC	44,078	48,058,349	1,914,375.13	<b>Mississippi</b>			
Jefferson EMC	12,749	13,900,511	553,710.93	Coast EPA	24,198	33,339,790	1,596,856.99
Lamar EMC	6,214	6,774,716	269,879.73	East Mississippi EPA	10,095	13,912,417	666,213.41
Little Ocmulgee EMC	7,262	7,917,425	315,396.45	Singing River EPA	30,349	41,833,408	2,002,942.00
Middle Georgia EMC	5,584	6,088,410	242,523.23	South Mississippi EPA	68,000	84,765,390	4,150,935.69
Mitchell EMC	16,670	18,175,762	724,007.56	<b>Mississippi Total</b>	<b>132,642</b>	<b>173,851,005</b>	<b>8,416,948.09</b>
Ocmulgee EMC	7,617	8,304,745	330,816.96	<b>North Carolina</b>			
Oconee EMC	7,329	7,991,037	318,311.64	Blue Ridge EMC	7,311	9,757,319	286,062.88
Okefenoke Rural EMC	8,729	9,517,672	379,117.61	EnergyUnited EMC	16,302	22,251,942	652,596.30
Pataula EMC	2,996	3,266,177	130,117.37	Haywood EMC	926	1,158,469	33,923.80
Planters EMC	9,493	10,350,073	412,294.08	Pee Dee EMC	455	546,280	15,969.51
Rayle EMC	9,601	10,467,851	416,984.83	Rutherford EMC	24,018	31,362,938	919,226.83
Satilla Rural EMC	28,109	30,647,038	1,220,814.47	Union EMC	11,633	15,001,405	439,583.91
Sawnee EMC	17,686	19,283,365	768,132.70	City of Cherryville	1,478	590,030	39,738.14
Slash Pine EMC	4,428	4,827,920	192,315.48	City of Concord	8,007	3,292,566	275,737.86
Snapping Shoals EMC	17,940	19,559,696	779,158.43	City of Gastonia	15,971	6,372,629	429,417.88
Sumter EMC	10,428	11,369,336	452,900.75	City of Kings Mountain	2,896	1,190,473	99,738.38
Three Notch EMC	11,221	12,234,579	487,347.91	City of Lincolnton	1,577	629,078	42,391.62
Tri-County EMC	5,751	6,270,745	249,778.72	City of Monroe	7,693	3,070,323	206,846.69
Upson EMC	4,216	4,596,886	183,108.89	City of Morganton	9,535	12,902,353	381,544.07
Walton EMC	27,606	30,098,901	1,198,970.99	City of Newton	2,067	824,277	55,556.08
Washington EMC	13,103	14,286,698	569,087.87	City of Shelby	5,892	2,350,432	158,414.06
City of Acworth	2,155	2,957,050	99,230.06	City of Statesville	9,705	3,872,091	260,956.47
City of Adel	6,548	8,983,732	301,500.15	Town of Bostic	412	594,068	17,584.56
City of Albany	56,568	77,610,096	2,604,651.29	Town of Cornelius	361	144,133	9,713.99
City of Barnesville	2,461	3,376,023	113,311.94	Town of Dallas	1,299	533,619	44,709.85
City of Blakely	5,100	6,997,164	234,828.16	Town of Drexel	879	1,202,953	35,557.00
				Town of Granite Falls	828	330,290	22,249.34
				Town of Huntersville	490	195,191	13,164.40
				Town of Landis	1,098	437,666	29,503.19
				Town of Maiden	1,235	492,458	33,191.26
				Town of Pineville	490	195,191	13,164.40
				<b>North Carolina Total</b>	<b>135,279</b>	<b>120,417,238</b>	<b>4,610,239.23</b>

# CUSTOMER SALES

Customer	KW	Energy	Revenue	Customer	KW	Energy	Revenue
<b>South Carolina</b>				<b>Virginia</b>			
Blue Ridge EC	18,399	24,530,321	719,345.53	B-A-R-C EC	4,042	3,074,005	210,524.59
Broad River EC	5,570	7,103,239	208,142.08	Central Virginia EC	8,902	6,812,154	464,000.97
Central Electric Power Coop.	129,000	140,363,487	6,681,035.37	Community EC	4,558	3,471,280	237,440.02
Laurens EC	13,843	18,353,694	538,178.00	Craig-Boletourt EC	1,835	1,402,990	95,636.01
Little River EC	5,250	6,925,991	212,175.47	Mecklenburg EMC	12,257	9,410,598	639,130.66
York EC	9,050	11,429,675	334,895.25	Northern Neck EC	4,334	3,307,854	225,830.36
City of Abbeville	2,878	4,375,798	136,428.63	Northern Virginia EC	3,781	2,902,949	197,156.97
City of Clinton	2,890	1,188,210	99,536.28	Prince George EC	2,655	2,012,141	138,225.74
City of Easley	8,405	11,736,891	411,562.02	Rappahannock EC	25,716	19,649,611	1,340,159.28
City of Gaffney	6,783	9,511,522	333,540.66	Shenandoah Valley EMC	10,762	8,241,913	561,003.05
City of Georgetown	5,300	5,832,477	277,404.35	Southside EC	15,904	12,149,174	828,792.93
City of Greenwood	11,404	15,532,610	456,489.29	City of Franklin	1,294	980,681	67,368.78
City of Greer	8,891	12,768,091	447,968.67	Harrisonburg Electric Comm.	3,472	2,665,712	181,044.44
City of Laurens	5,719	8,157,657	286,177.08	Town of Blackstone	502	380,451	26,135.36
City of Newberry	3,183	1,308,469	109,609.39	Town of Culpepper	505	387,726	26,332.81
City of Orangeburg	13,100	12,430,252	591,108.65	Town of Elkton	221	167,488	11,505.79
City of Rock Hill	18,559	25,933,427	909,405.96	Town of Wakefield	137	103,827	7,132.54
City of Seneca	2,688	1,066,030	72,403.17	<b>Virginia Total</b>	100,877	77,120,554	5,257,420.30
City of Union	3,385	1,391,875	116,538.84	<b>Kerr-Philpott System Total</b>	196,500	149,705,437	9,999,719.35
City of Westminster	658	270,553	22,679.74	<b>Jim Woodruff System</b>			
Town of Bamberg	2,300	2,499,634	119,007.86	Central Florida EC	2,300	11,368,425	327,831.84
Town of Due West	285	117,223	9,816.61	Suwannee Valley EC	4,800	22,793,143	669,757.99
Town of McCormick	500	494,321	23,520.41	Talquin EC	13,500	64,945,882	1,896,683.35
Town of Prosperity	602	875,702	30,747.21	Tri-County EC	5,200	24,932,001	729,272.72
Town of Winnsboro	1,300	1,241,823	59,059.24	City of Chattahoochee	1,800	10,743,441	285,109.58
South Carolina PSA	135,000	113,312,310	4,602,126.50	City of Quincy	8,400	47,362,000	1,287,624.51
<b>South Carolina Total</b>	414,942	438,751,282	17,808,902.26	Florida Power Corporation	-	11,538,081	126,180.48
<b>Georgia-Alabama-South Carolina System</b>				<b>Jim Woodruff System Total</b>	36,000	193,682,973	5,322,460.47
2,067,524	2,468,462,890	98,216,481.42		<b>Cumberland System</b>			
<b>Kerr-Philpott System</b>				Southern Illinois Power Coop.	28,000	42,142,000	974,400.00
<b>North Carolina</b>				<b>Kentucky</b>			
Albemarle EMC	2,852	2,161,439	148,481.97	Big Rivers Electric Corporation	178,000	270,816,000	6,194,400.00
Brunswick EMC	3,515	2,664,254	171,168.36	East Kentucky Power Coop.	170,000	236,652,000	5,916,000.00
Carteret-Craven EMC	2,679	2,030,593	130,458.11	City of Barbourville	2,200	3,660,089	82,256.45
Central EMC	1,239	939,122	60,334.98	City of Bardstown	2,247	3,738,284	84,013.76
Edgecombe-Martin County EMC	4,636	3,556,943	241,719.99	City of Bardwell	542	901,714	20,265.01
Four County EMC	4,198	3,181,947	204,428.00	City of Benham	248	412,592	9,272.55
Halifax EMC	2,815	2,152,455	144,743.30	City of Corbin	2,598	4,322,235	97,137.40
Harkers Island EMC	56	42,446	2,727.00	City of Falmouth	590	981,571	22,059.69
Jones-Onslow EMC	5,184	3,929,303	252,442.63	City of Frankfort	15,621	25,988,306	584,058.26
Lumbee River EMC	3,729	2,826,458	181,589.22	City of Henderson	12,000	18,000,000	417,600.00
Pee Dee EMC	2,968	2,249,646	144,531.26	City of Madisonville	7,803	12,981,675	291,748.71
Piedmont EMC	1,086	823,152	52,884.43	City of Nicholasville	2,556	4,252,360	95,567.05
Pitt & Greene EMC	1,580	1,197,588	76,940.44	City of Owensboro	25,000	41,591,932	934,732.49
Randolph EMC	3,608	2,734,745	175,697.11	City of Paris	1,364	2,269,256	50,999.01
Roanoke EMC	5,972	4,551,040	311,123.43	City of Providence	1,231	2,047,987	46,026.23
South River EMC	6,119	4,638,000	297,973.94	<b>Kentucky Total</b>	422,000	628,616,001	14,846,136.61
Tideland EMC	3,452	2,636,393	177,597.10	<b>Mississippi</b>			
Tri-County EMC	3,096	2,346,665	150,764.25	South Mississippi EPA	51,000	76,500,000	1,774,800.00
Wake EMC	2,164	1,640,242	105,379.26	Mississippi Delta Energy Agency	11,215	17,636,000	390,282.00
City of Elizabeth City	2,073	1,571,266	107,927.08	Municipal Energy			
City of Kinston	1,466	1,111,178	71,389.13	Agency of Mississippi	18,785	28,178,000	653,718.00
City of Laurinburg	415	314,556	20,209.03	<b>Mississippi Total</b>	81,000	122,314,000	2,818,800.00
City of Lumberton	895	678,383	43,583.46	<b>North Carolina</b>			
City of New Bern	1,204	912,592	58,630.72	French Broad EMC	8,200	12,752,041	446,185.75
City of Rocky Mount	2,538	1,923,722	123,591.84	Haywood EMC	2,400	3,732,303	130,590.96
City of Washington	2,703	2,048,788	131,626.74	Town of Waynesville	1,700	2,643,716	92,501.93
City of Wilson	2,950	2,236,003	143,654.89	<b>North Carolina Total</b>	12,300	19,128,060	669,278.64
Fayetteville Public Works Comm.	5,431	4,116,521	264,470.85	Tennessee Valley Authority	405,000	1,916,167,000	19,129,352.34
Greenville Utilities Comm.	7,534	5,710,528	366,879.64	Monongahela Power Company	-	887,831	14,148.81
Town of Apex	145	109,907	7,061.00	<b>Cumberland System Total</b>	948,300	2,729,254,892	38,452,116.40
Town of Ayden	208	157,659	10,128.92	<b>Grand Total</b>	3,248,324	5,541,106,192	151,990,777.64
Town of Belhaven	182	137,950	9,475.49				
Town of Benson	120	90,957	5,843.59				
Town of Clayton	161	122,033	7,840.13				
Town of Edenton	775	587,426	40,349.02				
Town of Enfield	334	253,128	17,388.86				
Town of Farmville	237	179,640	11,541.05				
Town of Fremont	60	45,479	2,921.82				
Town of Hamilton	40	30,317	2,082.53				
Town of Hertford	203	153,868	10,568.85				
Town of Hobgood	46	34,866	2,394.89				
Town of Hookerton	30	22,738	1,460.89				
Town of La Grange	93	70,491	4,528.74				
Town of Louisburg	857	649,578	41,732.98				
Town of Red Springs	117	88,683	5,697.51				
Town of Robersonville	232	175,850	12,078.68				
Town of Scotland Neck	304	230,422	15,827.22				
Town of Selma	183	138,706	8,911.46				
Town of Smithfield	378	286,513	18,407.28				
Town of Tarboro	2,145	1,625,839	111,675.66				
Town of Wake Forest	149	112,937	7,255.81				
Town of Windsor	427	323,611	22,230.67				
<b>North Carolina Total</b>	95,623	72,584,883	4,742,299.05				



# SEPA A CLOSER LOOK

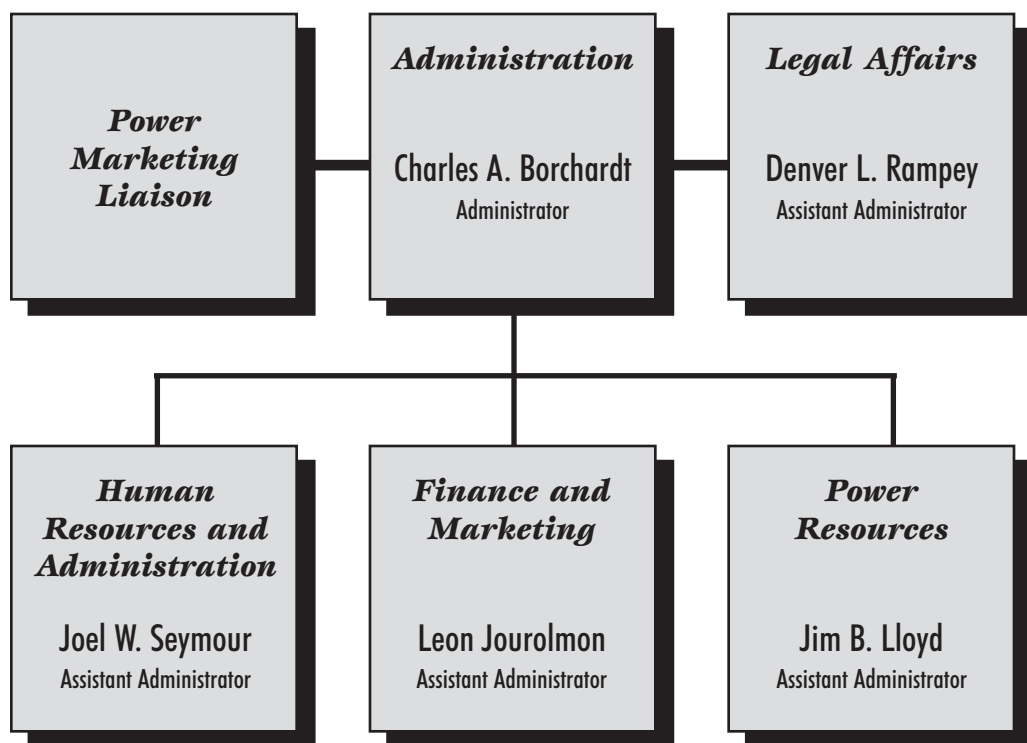
## Mission Statement

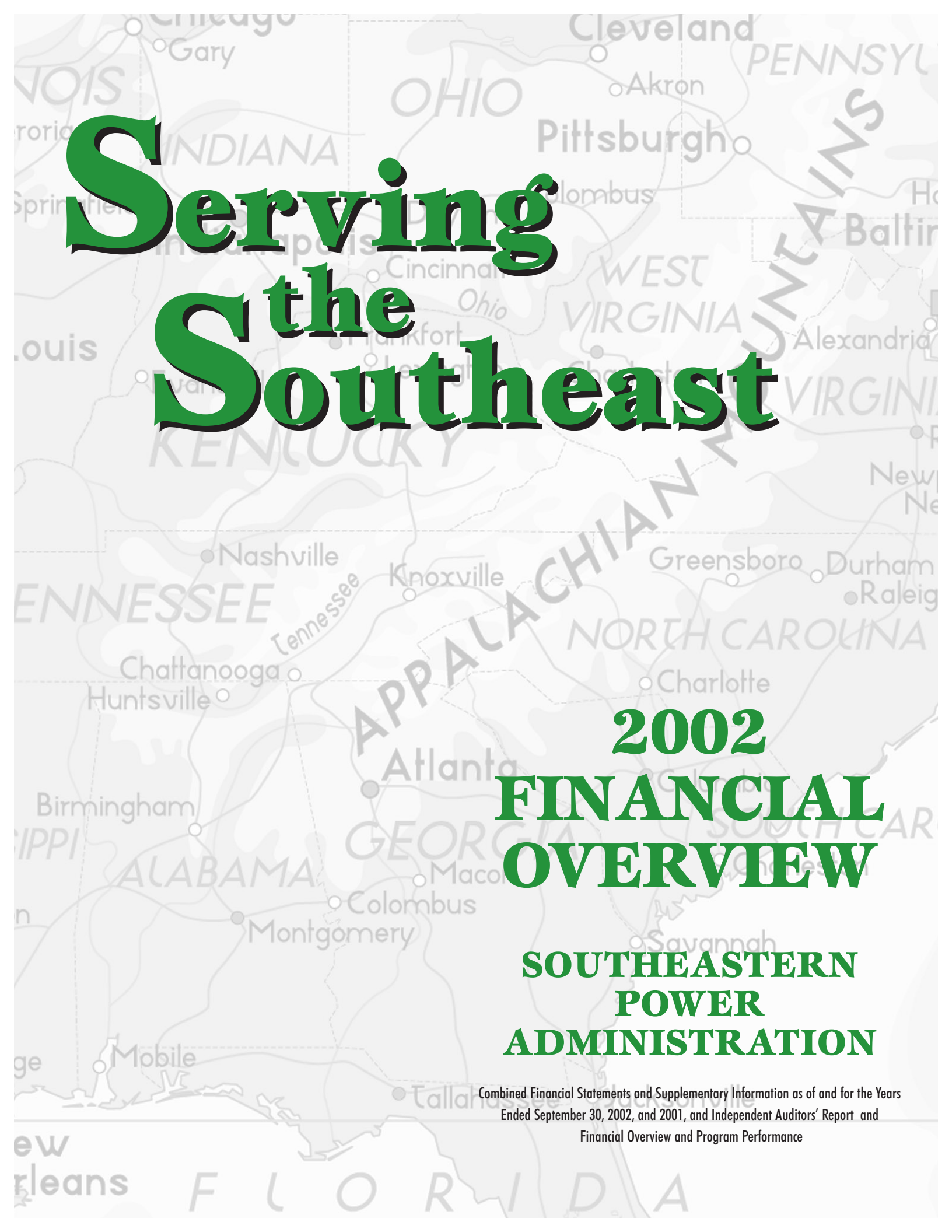
Southeastern's mission is to market Federal hydroelectric power at the lowest possible cost to public bodies and cooperatives in the southeastern United States in a professional, innovative, customer oriented manner, while continuing to meet the challenges of an ever-changing electric utility environment through continuous improvements.

## Vision Statement

Southeastern Power Administration will foster a well-trained, flexible workforce in an open and rewarding workspace. Southeastern's employees will practice integrity and honesty with all partners, nurture creativity, and achieve results in a rapidly changing electric utility industry.

## Organizational Chart



A grayscale map of the Southeastern United States serves as the background. It shows state boundaries and major cities. States labeled include Ohio, Pennsylvania, West Virginia, Virginia, Kentucky, Tennessee, North Carolina, Georgia, Alabama, and Florida. Cities marked with dots include Chicago, Gary, Cleveland, Akron, Pittsburgh, Columbus, Cincinnati, Indianapolis, Springfield, Louisville, Nashville, Knoxville, Greensboro, Durham, Raleigh, Charlotte, Atlanta, Birmingham, Huntsville, Chattanooga, Montgomery, Columbus, Mobile, and Tallahassee. The Appalachian Mountains are also labeled diagonally across the map.

# **Serving the Southeast**

## **2002 FINANCIAL OVERVIEW**

### **SOUTHEASTERN POWER ADMINISTRATION**

Combined Financial Statements and Supplementary Information as of and for the Years  
Ended September 30, 2002, and 2001, and Independent Auditors' Report and  
Financial Overview and Program Performance

# SEPA

## Table of Contents

<i>Financial Overview and Program Performance .....</i>	<i>Supplementary Information</i>
<i>22</i>	
<i>Independent Auditors' Report .....</i>	<i>Georgia-Alabama-South Carolina System (Exhibit I) .....</i>
<i>30</i>	<i>40</i>
<i>Combined Financial Statements:</i>	<i>Jim Woodruff System (Exhibit II) .....</i>
	<i>43</i>
<i>Combined Statements of Assets, Federal Investment, and Liabilities.....</i>	<i>Cumberland Basin System (Exhibit III) .....</i>
<i>32</i>	<i>46</i>
<i>Combined Statements of Revenues, Expenses, and Accumulated Net Revenues .....</i>	<i>Kerr-Philpott System (Exhibit IV) .....</i>
<i>33</i>	<i>49</i>
<i>Combined Statements of Cash Flow .....</i>	<i>Combining Financial Statements (Exhibit V) .....</i>
<i>34</i>	<i>52</i>
<i>Notes to Combined Financial Statements.....</i>	<i>Amount and Allocation of Plant Investment (Exhibit VI) .....</i>
<i>35</i>	<i>55</i>

# FINANCIAL OVERVIEW

## Description

The Southeastern Federal Power Program (Power Program) consists of all activities associated with the production, transmission and disposition of Federal power marketed under Section 5 of the Flood Control Act of 1944 from projects in ten southeastern states. These states are: Virginia, West Virginia, North Carolina, South Carolina, Georgia, Florida, Alabama, Mississippi, Tennessee, and Kentucky. Power is marketed to customers in 11 states - the above ten plus Illinois. The Power Program includes the accounts of two separate Federal government agencies - the Southeastern Power Administration (Southeastern), an agency of the United States Department of Energy, and the United States Army Corps of Engineers (Corps). Southeastern purchases, transmits, and markets power within four separate power systems (each including one or more Corps generating projects for which rates are set). These systems are: Georgia-Alabama-South Carolina System, Jim Woodruff System, Cumberland System, and Kerr-Philpott System.

The Corps owns and operates 23 hydroelectric generating projects in commercial service as of September 30, 2002, for which Southeastern is the power marketing agency. The Corps and Southeastern are separately managed and financed; however, the financial statements are combined under the Power Program title.

Costs of multiple purpose Corps projects are allocated to individual purposes (e.g., power, recreation, navigation, and flood

control) through a cost allocation process. Specific and joint-use costs allocated to power are included in the attached statements of assets, Federal investment, and liabilities, under utility plant and cash.

The accounts of the Power Program are maintained in conformity with accounting principles generally accepted in the United States and with the Uniform System of Accounts prescribed for electric utilities by the Federal Energy Regulatory Commission. The Power Program's accounting policies also reflect requirements of specific legislation and executive directives issued by the applicable government agencies.

Southeastern and the Corps receive Congressional appropriations through the Department of Energy and the Department of Defense to finance their operations. The Corps also receives Congressional appropriations to finance construction of its hydroelectric projects. In accordance with the Flood Control Act of 1944, Southeastern is responsible for repayment, with interest, of its appropriations, as well as Corps construction and operation appropriations allocated to power.

## Program Performance

During fiscal year 2002, Southeastern marketed 5.5 billion kilowatt-hours of energy to 306 wholesale customers. Southeastern's revenues totaled \$161 million, which was \$11 million more than FY 2001.

# SEPA FINANCIAL OVERVIEW

## Financial Performance - Debt Service Coverage Ratio

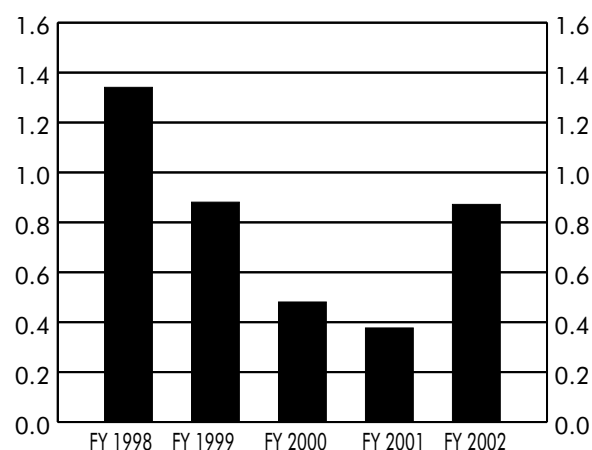
The debt service coverage ratio measures the adequacy of a utility's cash flow to cover debt service cash, both principal and interest.

Specifically, the debt service coverage ratio measures revenues in excess of operating expenses requiring cash, or cash flow from operations available to make debt service payments of principal and interest. A ratio of 1.0 would generally indicate just enough cash flow to make principal and interest payments on outstanding debt, in addition to meeting all other cash expenses. A ratio of 1.5 would indicate sufficient cash flow to pay 1.5 times the amount of debt service actually due. Debt service coverage is an important measure of financial health, particularly for public power systems with no significant surplus or equity as a cushion. Since the revenues of a power marketing administration are applied to operating expenses and debt service requirements with typically no return built into rates, the level of debt service coverage is viewed as an important means of determining the revenue shortfalls that could be sustained before debt service payments were adversely affected. A delicate balance exists between maintaining a sound financial condition and maintaining the lowest rates consistent with the not-for-profit orientation of power marketing agencies.

Over the last five years, Southeastern's debt service ratio has ranged from about 0.38 to 1.3. In FY 1998, Southeastern main-

tained a debt service ratio of 1.3 which is above normal for a Power Marketing Administration. Southeastern's debt service ratio for FY 1999 to FY 2002 was below normal due to adverse water conditions. Southeastern's debt service coverage ratio for fiscal years 1998-2002 is illustrated in Figure P.

**Debt Service Coverage Ratio**  
- Figure P



## Cumulative Principal Payments as a Percent of Total Federal Investment (Plant-In-Service)

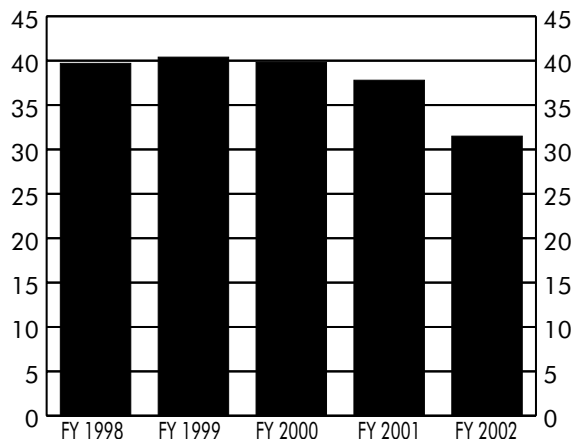
This indicator is a cumulative cash flow measure. It measures the cumulative principal payments made relative to the total Federal investment to date. During a period of capital expansion, this ratio would tend to decrease, whereas increases in cumulative payments over time would be expected for a mature system. Thus, a system with little time remaining in its repayment period would be expected to have a ratio of cumulative principal payments relative to total Federal investment that approaches 100 %.



# FINANCIAL OVERVIEW

This indicator provides useful information by showing the relationship between the cumulative amount of principal paid to date by Southeastern, as well as the progress made over the period studied. While analysis of this indicator does not necessarily provide conclusive information without further analysis of additional factors, such as the average age of the system, the measure nevertheless provides valuable information on the status of repayment. Southeastern's principal payments as a percentage of total investment has ranged from 32 % to 40 % over the last five years. Payments as a percent of total investment are illustrated in Figure Q.

**Cumulative Principal Payments as a Percentage of Total Investment - Figure Q**



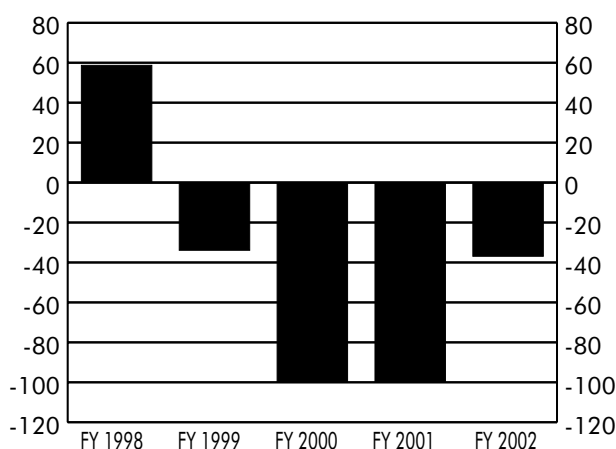
## Percent Variance of Actual From Planned Principal Payment

Each of the power marketing administrations show relatively large fluctuations between actual and planned revenues due to the high variability of water over the years analyzed. A negative number means that

actual repayment is not as large as expected. A positive number means that actual repayment is larger than expected.

Southeastern's -36.9 % ratio in FY 2002 was the result of below average streamflow conditions, as illustrated in Figure R.

**Percent Variance of Actual From Planned Principal Payments - Figure R**



## Net Cash Flow to the Treasury

Net cash flow to the Treasury measures the actual net cash flow, both inflows and outflows, to the U.S. Treasury, excluding revenue from the Tennessee Valley Authority. This indicator focuses on cash flows as opposed to accrual accounting results.

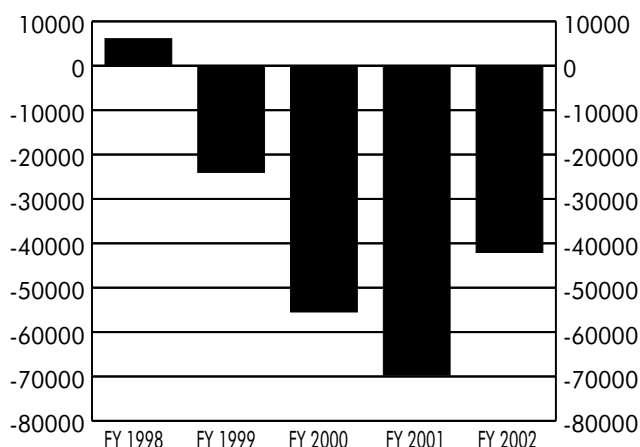
Because of its cash nature, this indicator is negatively influenced during years of large capital expenditures. Even in years of favorable financial performance, small or

# SEPA FINANCIAL OVERVIEW

negative cash flow to the U.S. Treasury may result. In addition, the variability of water levels explains some of the fluctuation of this measure.

This indicator provides valuable financial information related to the annual effect of the power marketing administrations on the cash position of the U.S. Treasury. The measure should be used only in combination with other financial indicators to assess Southeastern's financial performance. Net cash flow to the U.S. Treasury is illustrated in Figure S.

**Net Cash Flow to the U.S. Treasury - Figure S (in thousands)**



## Rate Performance

Performance indicators were prepared separately for transmission costs and generation rates. Cumulative year-to-year percentage increases in costs and rates were compared to cumulative percentage increases in the Consumer Price Index starting with 1998 as the base year.

## Transmission Performance Indicator - Composite Transmission Cost Indicator

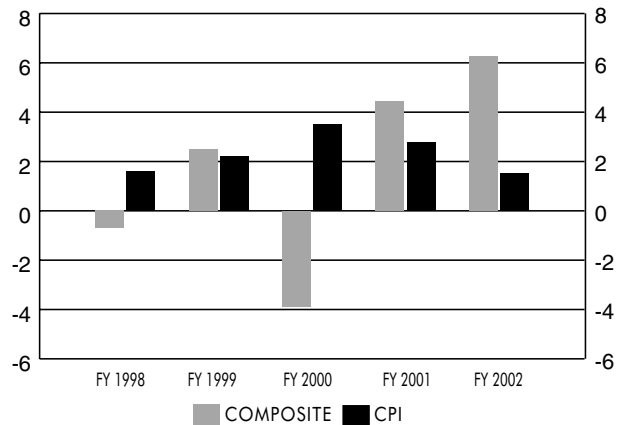
The transmission cost indicator is a measure of the change in the capacity based on weighted average transmission rates paid by Southeastern from year to year. The FY 2000 decrease was the result of decreases in transmission rates in the Georgia-Alabama-South Carolina and Kerr-Philpott Systems, and a decrease of energy produced in the Jim Woodruff System. The FY 2001 increase was the result of an increase in energy produced at the Jim Woodruff System. The FY 2002 increase was due to an increase in the tandem transmission rates in the Kerr-Philpott System. Composite transmission indicators are illustrated in Figure T.

## System Transmission Cost Indicator

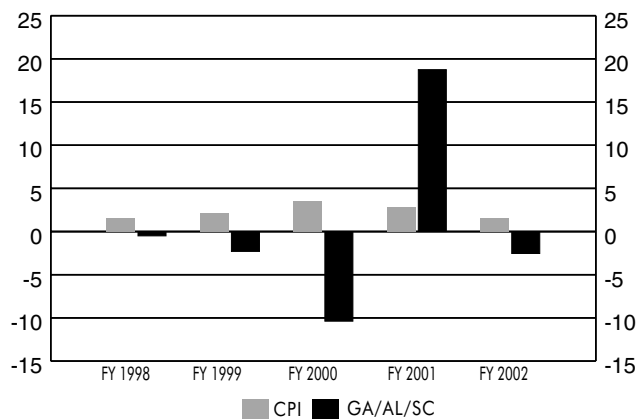
The 7% increase in the Jim Woodruff System in FY 2001 was the result of an increase in energy produced in FY 2001. The 37.2% decrease in the Kerr-Philpott System was the result of decreases in transmission rates. The 99% increase in the Kerr-Philpott System in FY 2002 was the result of the tandem transmission charge that went into effect. This charge is to pay Virginia Power and American Electric Power to transmit power to the border of neighboring utilities. System transmission indicators are illustrated in Figures U, V, W, and X.

# FINANCIAL OVERVIEW

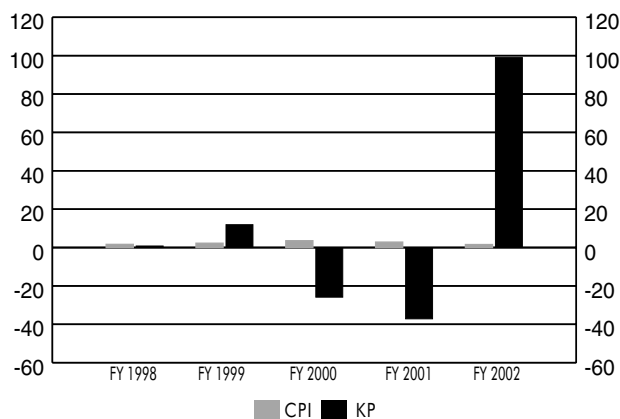
**Composite Transmission Cost Indicator - Figure T**



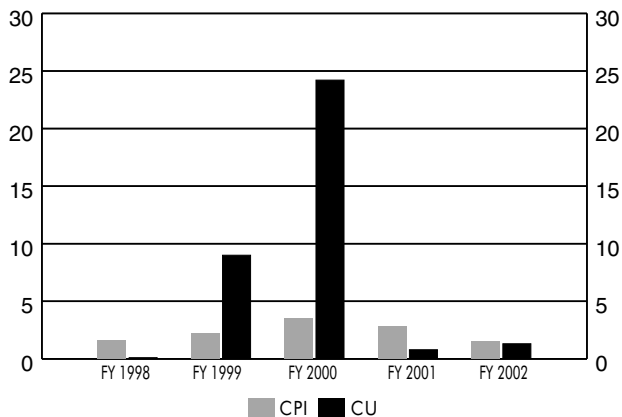
**Georgia/Alabama/South Carolina Transmission Cost Indicator - Figure U**



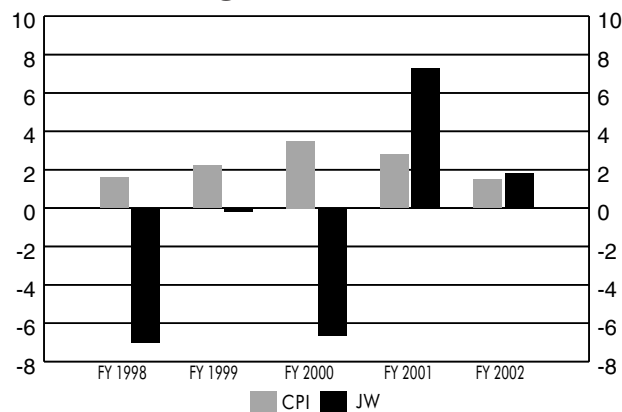
**Kerr/Philpott Transmission Cost Indicator - Figure V**



**Cumberland Transmission Cost Indicator - Figure W**



**Jim Woodruff Transmission Cost Indicator - Figure X**



## Generation Performance Indicator - Composite Generation Rate Indicator

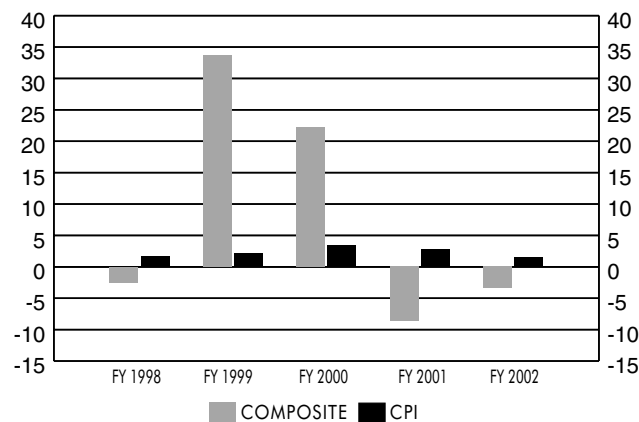
The composite generation indicator is a measure of the annual change in the average costs of energy charged by Southeastern from year to year.

The FY 1998 decrease was the result of above average streamflow conditions. The FY 1999 and FY 2000 increases were due to below average streamflow conditions. The FY 2001 decrease was the result of a decrease in transmission rates and an increase in energy produced. The FY 2002 decrease was

# SEPA FINANCIAL OVERVIEW

a result of an increase in energy produced. Composite generation rate indicator is illustrated in Figure Y.

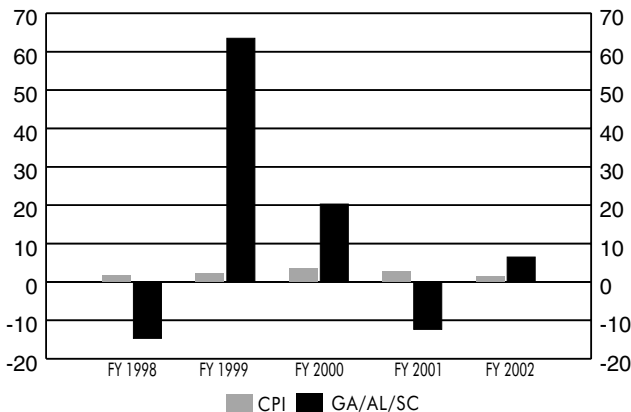
**Composite Generation Rate Indicator - Figure Y**



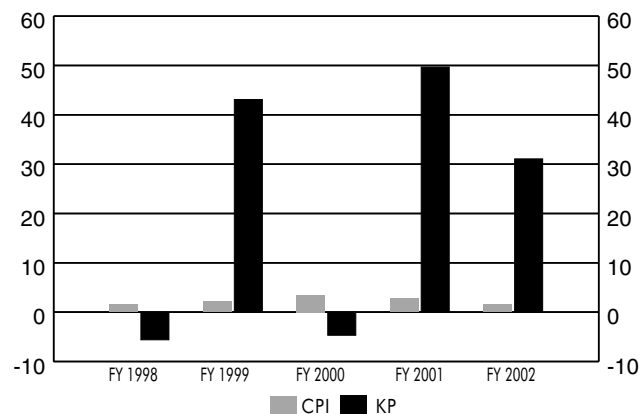
## System Generation Rate Indicator

The FY 2000 increase in the Cumberland system was the result of a 6 % rate increase. The FY 2001 increase in the Jim Woodruff and Kerr-Philpott Systems was due to below average streamflow conditions. The FY 2002 increase in the Kerr-Philpott System was the result of below average streamflow indicators. The FY 2002 decrease in the Jim Woodruff System was the result of an increase in energy produced. System generation rate indicators are illustrated in Figures Z, AA, BB, and CC.

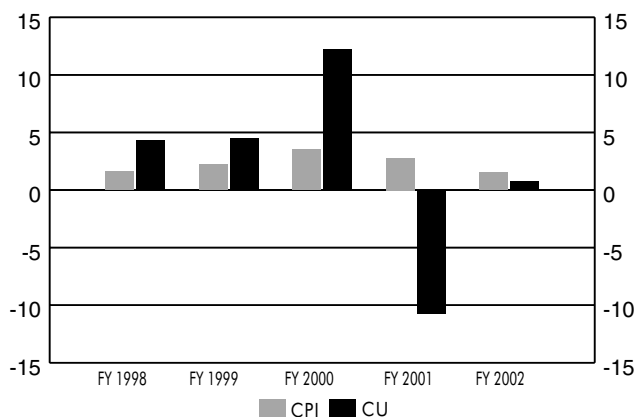
**Georgia/Alabama/South Carolina Generation Cost Indicator - Figure Z**



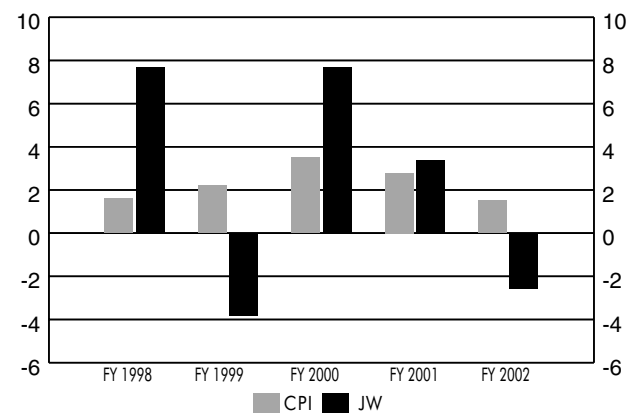
**Kerr/Philpott Generation Cost Indicator - Figure AA**



**Cumberland Generation Cost Indicator - Figure BB**



**Jim Woodruff Generation Cost Indicator - Figure CC**



# FINANCIAL STATEMENTS

## *Southeastern Federal Power Program*

*Combined Financial Statements  
and Supplementary Information  
as of and for the Years Ended  
September 30, 2002 and 2001  
and Independent Auditors' Report*



# SEPA

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& Touche**

## INDEPENDENT AUDITORS' REPORT

To the Administrator  
Southeastern Power Administration  
United States Department of Energy

We have audited the accompanying combined statements of assets, Federal investment, and liabilities of the Southeastern Federal Power Program as of September 30, 2002 and 2001, and the related combined statements of revenues, expenses, and accumulated net revenues and combined statements of cash flows for the years then ended. These combined financial statements are the responsibility of Southeastern Federal Power Program's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and Office of Management and Budget (OMB) Bulletin No. 01-02, *Audit Requirements for Federal Financial Statements*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such financial statements present fairly, in all material respects, the financial position of the Southeastern Federal Power Program as of September 30, 2002 and 2001, and the results of its operations and changes in accumulated net revenues and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Our audits were made for the purpose of forming an opinion on the basic combined financial statements taken as a whole. The supplementary information contained in Exhibits I through VI is presented for the purpose of additional analysis of the basic combined financial statements rather than to present the financial position, results of operations, and cash flows of individual power systems and is not a required part of the basic combined financial statements. This supplementary information is the responsibility of the Southeastern Federal Power Program's management. Such information has been subjected to the auditing procedures applied in the audit of the basic combined financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic combined financial statements taken as a whole.

The supplementary information presented in Financial Overview and Program Performance on pages 1 through 6 is not a required part of the basic combined financial statements but is supplementary information required by OMB Bulletin No. 01-09, *Form and Content of Agency Financial Statements*,

**Deloitte  
Touche  
Tohmatsu**

# SEPA

and we did not audit or apply limited procedures to such information and we do not express any assurances on such information.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 14, 2002, on our consideration of Southeastern Federal Power Program's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

*Deloitte + Touche LLP*

December 14, 2002

# SEPA

## SOUTHEASTERN FEDERAL POWER PROGRAM

### COMBINED STATEMENTS OF ASSETS, FEDERAL INVESTMENT, AND LIABILITIES

SEPTEMBER 30, 2002 AND 2001 (in thousands)

	2002	2001
<b>Assets:</b>		
Utility plant (Notes 2, 3 and 7):		
Plant in service	\$ 1,937,275	\$ 1,604,444
Less accumulated depreciation	<u>(529,755)</u>	<u>(510,346)</u>
Plant in service, net	1,407,520	1,094,098
Construction work in progress (Note 3)	<u>83,901</u>	<u>783,015</u>
Net utility plant	<u>1,491,421</u>	<u>1,877,113</u>
<b>Current assets:</b>		
Cash (Note 2)	38,367	28,538
Accounts receivable	14,109	11,900
Other	<u>5,164</u>	<u>4,135</u>
Total current assets	<u>57,640</u>	<u>44,573</u>
Total assets	<u>\$ 1,549,061</u>	<u>\$ 1,921,686</u>
<b>Federal investment and liabilities:</b>		
Federal investment (Note 4):		
Congressional appropriations (Note 7)	\$ 3,297,038	\$ 3,263,679
U.S. Treasury transfers to continuing fund	37,645	28,129
Transfers from other Federal agencies	38,631	34,660
Accumulated interest on Federal investment (Note 7)	1,374,061	1,665,578
Funds returned to Treasury (Note 2)	<u>(3,306,313)</u>	<u>(3,193,760)</u>
Net outstanding Federal investment	1,441,062	1,798,286
Accumulated net revenues (Note 2)	<u>80,858</u>	<u>96,293</u>
Total Federal investment	<u>1,521,920</u>	<u>1,894,579</u>
<b>Current liabilities:</b>		
Accounts payable	26,807	26,793
Accrued liabilities	<u>334</u>	<u>314</u>
Total current liabilities	<u>27,141</u>	<u>27,107</u>
<b>Commitments and contingencies (Notes 2, 4, 6, and 7)</b>		
Total Federal investment and liabilities	<u>\$ 1,549,061</u>	<u>\$ 1,921,686</u>

See notes to combined financial statements.

# SEPA

## SOUTHEASTERN FEDERAL POWER PROGRAM

### COMBINED STATEMENTS OF REVENUES, EXPENSES, AND ACCUMULATED NET REVENUES

YEARS ENDED SEPTEMBER 30, 2002 AND 2001 (in thousands)

	2002	2001
Operating revenues:		
Electric (Notes 2 and 5)	\$ 151,991	\$ 142,279
Other	<u>8,676</u>	<u>7,632</u>
Total operating revenues	<u>160,667</u>	<u>149,911</u>
Operating expenses:		
Operations	33,142	40,601
Maintenance	25,004	24,831
Transmission	29,448	28,052
Purchased power	27,411	28,087
Pension expense	<u>3,205</u>	<u>3,095</u>
Total operating expenses, excluding depreciation	118,210	124,666
Depreciation	<u>21,024</u>	<u>23,240</u>
Total operating expenses	<u>139,234</u>	<u>147,906</u>
Net operating revenues	<u>21,433</u>	<u>2,005</u>
Interest expense:		
Interest on Federal investment (Note 4)	81,418	83,026
Less interest charged to construction (Note 2)	<u>(44,550)</u>	<u>(43,896)</u>
Net interest expense	<u>36,868</u>	<u>39,130</u>
Net deficit	(15,435)	(37,125)
Accumulated net revenues (Note 2):		
Beginning of year	<u>96,293</u>	<u>133,418</u>
End of year	<u>\$ 80,858</u>	<u>\$ 96,293</u>

See notes to combined financial statements.

# SEPA

## SOUTHEASTERN FEDERAL POWER PROGRAM

### COMBINED STATEMENTS OF CASH FLOWS

YEARS ENDED SEPTEMBER 30, 2002 AND 2001 (in thousands)

	2002	2001
Cash flows from operating activities:		
Net deficit	\$ (15,435)	\$ (37,125)
Adjustments to reconcile net deficit to net cash provided by operating activities:		
Depreciation	21,024	23,240
Net interest on Federal investment	36,868	39,130
Increase in assets:		
Accounts receivable	(2,209)	(147)
Other assets	(1,029)	(506)
Increase in liabilities:		
Accounts payable	14	7,959
Accrued liabilities	20	32
Net cash provided by operating activities	<u>39,253</u>	<u>32,583</u>
Cash used in investing activities - investment in utility plant	<u>(24,010)</u>	<u>(50,077)</u>
Cash flows from (used in) financing activities:		
Congressional appropriations	93,652	109,322
U.S. Treasury transfers to contingency fund	9,516	9,052
Transfers from other Federal agencies	3,971	4,475
Funds returned to Treasury	<u>(112,553)</u>	<u>(102,929)</u>
Net cash (used in) provided by financing activities	<u>(5,414)</u>	<u>19,920</u>
Net increase in cash	9,829	2,426
Cash at beginning of year	<u>28,538</u>	<u>26,112</u>
Cash at end of year	<u>\$ 38,367</u>	<u>\$ 28,538</u>
Supplemental disclosure of noncash investing and financing activities:		
Interest charged to construction	\$ 44,550	\$ 43,896
Write-off of accumulated interest on Federal Investment (Note 7)	\$ 372,935	\$ -
Write-off of Congressional appropriations (Note 7)	\$ 60,293	\$ -

See notes to combined financial statements.



## SOUTHEASTERN FEDERAL POWER PROGRAM

### NOTES TO COMBINED FINANCIAL STATEMENTS AS OF AND FOR THE YEARS ENDED SEPTEMBER 30, 2002 AND 2001

#### 1. ORGANIZATION AND BASIS OF PRESENTATION

The Southeastern Federal Power Program (the “Program”) consists of all activities associated with the production, transmission, and disposition of all Federal power marketed under Section 5 of the Flood Control Act of 1944 (“Flood Control Act”) in the ten states of Virginia, West Virginia, North Carolina, South Carolina, Georgia, Florida, Alabama, Mississippi, Tennessee, and Kentucky. The Program includes certain accounts of two separate Federal Government agencies - the Southeastern Power Administration (“Southeastern”) of the United States Department of Energy and the United States Army Corps of Engineers (“Corps of Engineers” or “Corps”). Southeastern and the Corps are separately managed and financed, and each maintains its own accounting records.

Southeastern purchases, transmits, and markets power within four separate power systems: Georgia-Alabama-South Carolina; Jim Woodruff; Cumberland Basin; and Kerr-Philpott. As of September 30, 2002, the four power systems include twenty-three hydroelectric generating projects owned and operated by the Corps of Engineers. The projects serve multiple purposes, including power, recreation, navigation, and flood control. However, these combined financial statements include only those expenses and net assets that are expected to be recovered through sales of power and other related income.

Costs of multipurpose Corps projects are allocated to individual purposes through a cost allocation process. The portion of total project costs allocated to power is included in the accompanying combined statements of assets, Federal investment, and liabilities as utility plant and Federal investment. An amount covering Corps employees’ salaries, pensions, and other benefits allocated to power is included in operations and maintenance expenses.

#### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

*General* - The accompanying combined financial statements are prepared in accordance with accounting principles and standards prescribed by the Department of Energy, including the Uniform System of Accounts prescribed for electric utilities by the Federal Energy Regulatory Commission (“FERC”). These practices integrate accounting principles generally accepted in the United States of America with the accounting principles and standards prescribed by the Office of Management and Budget, except where deviations therefrom are specifically authorized by Federal statute or allowed by Federal regulation. The Program’s combined financial statements are generally presented in accordance with the provisions of Statement of Financial Accounting Standards (“SFAS”) No. 71, Accounting for the Effects of Certain Types of Regulation. The provisions of SFAS No. 71 require, among other things, that regulated enterprises reflect rate actions of the regulator in their financial statements, when appropriate. These rate actions can provide reasonable assurance of the existence of an asset, reduce or eliminate the value of an asset, or impose a liability on a regulated enterprise.

*Financing* - Southeastern and the Corps of Engineers receive Congressional appropriations through the Department of Energy and the Department of Defense, respectively, to finance their operations. The

# SEPA

Corps also receives appropriations to finance construction of its hydroelectric projects. In accordance with the Flood Control Act, Southeastern is responsible for repayment to the Federal Government, with interest, of its appropriations and the portion of Corps appropriations allocated for construction and operation of the power projects.

*Operating Revenues* - Operating revenues are recorded on an accrual basis. Rates established under the requirements of the Flood Control Act are intended to provide sufficient revenues to repay specific system costs. Such costs include operating expenses; wheeling fees to connecting utilities for transmission of power to customers; and repayment to the Federal Government for its investment in power facilities and interest thereon. The rates are also required to be low enough to encourage widespread use of electricity at the lowest possible cost to preference customers, primarily public bodies and cooperatives, consistent with sound business principles.

The rates required under present Department of Energy policy make provision for recovery of the Government's capital investment within 50 years for power facilities. As discussed below, these assets are being depreciated on the straight-line method over their estimated useful lives, which currently average approximately 55 years. Thus, annual depreciation charges will continue beyond the period such costs have been recovered through revenues. The Program matches these costs and revenues as well as any other differences between estimated and actual costs, by deferring the unmatched portion of the revenues as accumulated net revenues. Because the Program is a nonprofit Federal power marketing agency, accumulated net revenues are committed to repayment of the Federal investment.

Cash received is directly deposited with the United States Treasury and is reflected as "Funds returned to Treasury" in the accompanying combined statements of assets, Federal investment, and liabilities.

*Confirmation and Approval of Rates* - Southeastern has established rate schedules for each of the four power systems. These rates generally may be adjusted at five-year intervals under the terms of Southeastern's current power sales contracts and Department of Energy Order RA 6120.2.

The Secretary of Energy ("Secretary") has delegated authority to the Administrator of Southeastern to develop power and transmission rates for the power projects. The Deputy Secretary has the authority to confirm, approve, and place such rates in effect on an interim basis.

The Secretary has delegated to FERC the authority to confirm, approve, and place such rates in effect on a final basis; to remand; or to disapprove such rates. Refunds with interest, as determined by FERC, are authorized if final approved rates are lower than rates approved on an interim basis. However, if at any time FERC determines that the administrative cost of a refund would exceed the amount to be refunded, no refunds will be required. No significant refunds are anticipated in connection with rates approved on an interim basis as of September 30, 2002.

*Cash* - Cash consists of the unexpended balance of funds with the Treasury which have been appropriated by Congress for the Program-related activities of Southeastern and the Corps of Engineers.

*Utility Plant* - Utility plant consists principally of generating facilities and is stated at cost, excluding contributions in aid of construction by entities outside the Program. Cost includes direct labor and materials; payments to contractors; indirect charges for engineering, supervision, and similar overhead

items; and interest on Federal funds used during construction. The cost of additions, replacements, and betterments is capitalized while repairs and minor replacement costs are charged to operating expenses. The cost of utility plant retired, together with removal costs less salvage, is charged to accumulated depreciation when removed from service.

*Interest Charged to Construction* - Interest on Federal funds used during utility plant construction is included in the cost of completed projects.

*Depreciation* - Pursuant to executive directives of the Corps of Engineers, depreciation of utility plant is computed based on the estimated service lives of the various classes of property using the straight-line method. Service lives currently being used for depreciation purposes average approximately 55 years for utility plant. Depreciation expense amounted to 1.1% and 1.4% of the original cost of generating plant in service during each of the years ended September 30, 2002 and 2001, respectively.

*Retirement Benefits* - Substantially all employees engaged in Program activities participate in either the Civil Service Retirement System (“CSRS”) or the Federal Employees’ Retirement System (“FERS”). Both are contributory pension plans and are not covered under the Employee Retirement Income Security Act of 1974. Pension benefit expense under CSRS is equivalent to 17.3% of eligible employee compensation and under FERS is 10.7% with options available to be chosen by the participant. Contributions to these plans are submitted to benefit program trust funds administered by the Office of Personnel Management (“OPM”).

The contribution levels as legislatively mandated do not reflect the total current cost/full cost requirements to fund the pension plans. Additional sources of funding include direct appropriations to OPM, not Southeastern or the Corps. The costs of health and life insurance benefit programs are similarly administered and paid through OPM.

*Use of Estimates* - The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management of Southeastern and the Corps to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

### 3. CONSTRUCTION WORK IN PROGRESS

At September 30, 2001, construction work in progress primarily represented construction on the four hydroelectric units at Richard B. Russell hydroelectric project located on the Savannah River. During 2002, the four hydroelectric units that were under construction were completed and placed in service. The total cost of such units was \$397 million, of which \$297 million has been tentatively allocated to power. Historically nearly 93% of joint operations and maintenance have been allocated to power. However, it is expected that the power allocation percentage will be approximately 72% once the final cost allocation study is completed. A final determination of the construction costs, and operations and maintenance expenses to be allocated to power, will not be made until the final power allocation percentage is adopted by administrative procedure, which is expected to be in the next few years. See Note 7 for additional information on the Richard B. Russell cost allocations.

# SEPA

Construction appropriations for power generating facilities have been authorized by Congress through fiscal year 2002; however, no appropriations subsequent to fiscal year 2002 have been authorized. Delays or cancellation of these projects could result from Congressional suspension or termination of appropriations.

## **4. FEDERAL INVESTMENT**

The Federal investment in each of the generating projects is to be repaid to the Treasury within 50 years from the time the facility is placed in service. There is not a requirement for repayment of a specific amount on an annual basis.

Southeastern follows the provisions of Department of Energy Order RA 6120.2 in setting priorities for repayment. Order RA 6120.2 requires that revenues be applied to pay operating expenses, excluding depreciation, and the interest on the net outstanding Federal investment, less interest charged to construction and interest credited on operating revenues deposited with the Treasury. Annual net revenues available for repayment are generally applied first against investments in projects bearing the highest interest rates. To the extent that funds are not available for payment of such operating expenses and interest, such amounts become payable from the subsequent year's revenue prior to any repayment of the Federal investment.

Interest is accrued annually on the unpaid balance of the Federal investment. Such interest is reflected as an expense in the accompanying statements of revenues, expenses, and accumulated net revenues, with a corresponding increase in the Federal investment. Interest rates applied to the net outstanding Federal investment range from 2.5% to 7.625%. The average rate was approximately 3.3% in 2002 and 3.9% in 2001. The rates have been set either by law, by administrative order pursuant to law, or by administrative policies and have not necessarily been established to recover the interest costs to the Treasury to finance the investment.

## **5. MAJOR CUSTOMERS**

Revenues from one customer were approximately 12% and 8% of the total operating revenues for the years ended September 30, 2002 and 2001. There were no accounts receivable from this customer as of September 30, 2002 or 2001.

## **6. WORKERS' COMPENSATION BENEFITS**

The United States Department of Labor has notified other Federal agencies of their estimated actuarial liabilities for future workers' compensation benefits under the Federal Employees Compensation Act. The Corps has allocated the current and estimated future cost of workers' compensation benefit payments to the power projects. These costs have been included in pension expense for the years ended September 30, 2002 and 2001.

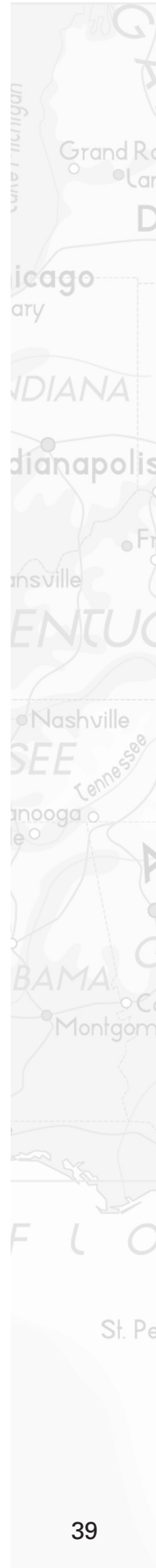
## **7. CONTINGENCIES**

Southeastern and the Corps of Engineers are presently defendants in various claims in connection with Program activities. However, in the opinion of management and counsel, such claims will not have an adverse impact on the Program's financial position, results of operations, and cash flows.

# SEPA

The suit filed by the South Carolina Department of Wildlife and Marine Resources and other parties against the Secretary of the Army, in connection with the operation of the four reversible pump turbines at the Richard B. Russell Dam, was resolved in favor of the Secretary of the Army during the current fiscal year ended September 30, 2002. As a result, such turbines were commercially operational, and \$730 million of construction in progress related to these turbines, was reclassified from Construction In Progress to Utility Plant in Service during 2002. However, as a result of the updated estimates it was determined that the original power purpose allocation percentage of 99.4% for joint construction costs for the Richard B. Russell dam project was too high. Program management believes that once the final allocation percentage is determined and approved, it is probable that the Richard B. Russell power purpose allocation for joint construction costs will be approximately 72.1%. The 2002 financial statements were adjusted for this change in estimate, by: (i) writing off joint construction costs of \$60 million to Congressional Appropriations; and (ii) writing off capitalized interest of \$38 million to Accumulated Interest on Federal Investment. The reduction of joint operating and maintenance costs and depreciation as a result of this change in allocation percentage was a reduction of \$8 million and \$9 million, respectively. The reduction of interest expense and interest on Federal investment as a result of the reduction in joint operating and maintenance costs and depreciation expense was \$7 million. These amounts are subject to revision pending completion of the final authorized joint cost allocation for the Richard B. Russell dam project.

In addition, Program management has determined that it is not probable that interest capitalized during construction from 1993 through 2002 related to the Richard B. Russell dam project will be recovered through future rates. As a result, \$335 million in capitalized interest was written off to Accumulated Interest on Federal Investment.





# SEPA

**Exhibit I**  
**Page 1 of 3**

## **SOUTHEASTERN FEDERAL POWER PROGRAM GEORGIA-ALABAMA-SOUTH CAROLINA SYSTEM**

### **STATEMENTS OF ASSETS, FEDERAL INVESTMENT, AND LIABILITIES YEARS ENDED SEPTEMBER 30, 2002 AND 2001 (in thousands)**

<b>Assets:</b>	<b>2002</b>	<b>2001</b>
Utility plant:		
Plant in service	\$ 1,404,316	\$ 1,089,642
Less accumulated depreciation	<u>(321,820)</u>	<u>(315,942)</u>
Plant in service, net	1,082,496	773,700
Construction work in progress	<u>69,285</u>	<u>761,441</u>
Net utility plant	<u>1,151,781</u>	<u>1,535,141</u>
Current assets:		
Cash	25,532	18,530
Accounts receivable	11,004	9,109
Other	<u>4,999</u>	<u>4,013</u>
Total current assets	<u>41,535</u>	<u>31,652</u>
Total assets	<u>\$ 1,193,316</u>	<u>\$ 1,566,793</u>
Federal investment and liabilities:		
Federal investment:		
Congressional appropriations	\$ 2,135,848	\$ 2,146,077
U.S. Treasury transfers to continuing fund	30,289	21,859
Transfers from other Federal agencies	22,306	19,965
Accumulated interest on Federal investment	1,024,323	1,323,884
Funds returned to Treasury	<u>(1,993,046)</u>	<u>(1,919,743)</u>
Net outstanding Federal investment	1,219,720	1,592,042
Accumulated net deficit	<u>(48,340)</u>	<u>(47,397)</u>
Total Federal investment	<u>1,171,380</u>	<u>1,544,645</u>
Current liabilities:		
Accounts payable	21,729	21,954
Accrued liabilities	<u>207</u>	<u>194</u>
Total current liabilities	<u>21,936</u>	<u>22,148</u>
Total Federal investment and liabilities	<u>\$ 1,193,316</u>	<u>\$ 1,566,793</u>

**SOUTHEASTERN FEDERAL POWER PROGRAM  
GEORGIA-ALABAMA-SOUTH CAROLINA SYSTEM****STATEMENTS OF REVENUES, EXPENSES, AND ACCUMULATED DEFICIT  
YEARS ENDED SEPTEMBER 30, 2002 AND 2001 (in thousands)**

	2002	2001
Operating revenues:		
Electric	\$ 98,217	\$ 96,862
Other	<u>7,883</u>	<u>6,241</u>
Total operating revenues	<u>106,100</u>	<u>103,103</u>
Operating expenses:		
Operations	14,701	21,150
Maintenance	13,346	14,792
Transmission	15,069	15,886
Purchased power	25,624	23,576
Pension expense	<u>1,610</u>	<u>1,569</u>
Total operating expenses, excluding depreciation	70,350	76,973
Depreciation	<u>6,082</u>	<u>13,989</u>
Total operating expenses	<u>76,432</u>	<u>90,962</u>
Net operating revenues	<u>29,668</u>	<u>12,141</u>
Interest expense:		
Interest on Federal investment	73,374	76,530
Less interest charged to construction	<u>(42,763)</u>	<u>(42,452)</u>
Net interest expense	<u>30,611</u>	<u>34,078</u>
Net deficit	(943)	(21,937)
Accumulated net deficit:		
Beginning of year	<u>(47,397)</u>	<u>(25,460)</u>
End of year	<u>\$ (48,340)</u>	<u>\$ (47,397)</u>

# SEPA

**Exhibit I**  
**Page 3 of 3**

## **SOUTHEASTERN FEDERAL POWER PROGRAM GEORGIA-ALABAMA-SOUTH CAROLINA SYSTEM**

### **STATEMENTS OF CASH FLOWS YEARS ENDED SEPTEMBER 30, 2002 AND 2001 (in thousands)**

	<b>2002</b>	<b>2001</b>
Cash flows from operating activities:		
Net deficit	\$ (943)	\$ (21,937)
Adjustments to reconcile net deficit to net cash provided by operating activities:		
Depreciation	6,082	13,989
Net interest on Federal investment	30,611	34,078
Increase in assets:		
Accounts receivable	(1,895)	(128)
Other assets	(986)	(506)
Increase (decrease) in liabilities:		
Accounts payable	(225)	9,238
Accrued liabilities	<u>13</u>	<u>19</u>
Net cash provided by operating activities	<u>32,657</u>	<u>34,753</u>
Cash used in investing activities - investment in utility plant	<u>(13,187)</u>	<u>(37,562)</u>
Cash flows from (used in) financing activities:		
Congressional appropriations	50,064	65,864
U.S. Treasury transfers to continuing fund	8,430	7,651
Transfers from other Federal agencies	2,341	2,352
Funds returned to Treasury	<u>(73,303)</u>	<u>(71,346)</u>
Net cash provided by (used in) financing activities	<u>(12,468)</u>	<u>4,521</u>
Net increase in cash	7,002	1,712
Cash at beginning of year	<u>18,530</u>	<u>16,818</u>
Cash at end of year	<u><u>\$ 25,532</u></u>	<u><u>\$ 18,530</u></u>
Supplemental disclosure of noncash investing and financing activities:		
Interest charged to construction	<u>\$ 42,763</u>	<u>\$ 42,452</u>
Write-off of accumulated interest on Federal investment (Note 7)	<u>\$ 372,935</u>	<u>\$ -</u>
Write-off of Congressional appropriations (Note 7)	<u>\$ 60,293</u>	<u>\$ -</u>

**SOUTHEASTERN FEDERAL POWER PROGRAM  
JIM WOODRUFF SYSTEM****STATEMENTS OF ASSETS, FEDERAL INVESTMENT, AND LIABILITIES  
YEARS ENDED SEPTEMBER 30, 2002 AND 2001 (IN THOUSANDS)**

Assets:	2002	2001
Utility plant:		
Plant in service	\$ 59,300	\$ 43,818
Less accumulated depreciation	<u>(12,631)</u>	<u>(13,071)</u>
Plant in service, net	46,669	30,747
Construction work in progress	<u>565</u>	<u>12,453</u>
Net utility plant	<u>47,234</u>	<u>43,200</u>
Current assets:		
Cash	1,137	607
Accounts receivable	565	448
Other	<u>87</u>	<u>35</u>
Total current assets	<u>1,789</u>	<u>1,090</u>
Total assets	<u>\$ 48,023</u>	<u>\$ 44,290</u>
Federal investment and liabilities:		
Federal investment:		
Congressional appropriations	\$ 125,615	\$ 117,464
U.S. Treasury transfers to continuing fund	2,921	2,628
Transfers from other Federal agencies	2,751	2,627
Accumulated interest on Federal investment	24,092	21,732
Funds returned to Treasury	<u>(114,175)</u>	<u>(109,423)</u>
Net outstanding Federal investment	41,204	35,028
Accumulated net revenues	<u>6,849</u>	<u>7,790</u>
Total Federal investment	<u>48,053</u>	<u>42,818</u>
Current liabilities:		
Accounts payable	963	1,466
Accrued liabilities	<u>7</u>	<u>6</u>
Total current liabilities	<u>970</u>	<u>1,472</u>
Total Federal investment and liabilities	<u>\$ 49,023</u>	<u>\$ 44,290</u>

**SOUTHEASTERN FEDERAL POWER PROGRAM  
JIM WOODRUFF SYSTEM****STATEMENTS OF REVENUES, EXPENSES, AND ACCUMULATED NET REVENUES  
YEARS ENDED SEPTEMBER 30, 2002 AND 2001 (IN THOUSANDS)**

	2002	2001
Operating revenues:		
Electric	\$ 5,322	\$ 5,245
Other	<u>(615)</u>	<u>53</u>
Total operating revenues	<u>4,707</u>	<u>5,298</u>
Operating expenses:		
Operations	1,520	2,770
Maintenance	841	690
Transmission	261	255
Purchased power	499	2,876
Pension expense	<u>118</u>	<u>117</u>
Total operating expenses, excluding depreciation	3,239	6,708
Depreciation	<u>899</u>	<u>701</u>
Total operating expenses	<u>4,138</u>	<u>7,409</u>
Net operating revenue (deficit)	<u>569</u>	<u>(2,111)</u>
Interest expense:		
Interest on Federal investment	2,360	2,025
Less interest charged to construction	<u>(850)</u>	<u>(1,134)</u>
Net interest expense	<u>1,510</u>	<u>891</u>
Net deficit	(941)	(3,002)
Accumulated net revenues:		
Beginning of year	<u>7,790</u>	<u>10,792</u>
End of year	<u>\$ 6,849</u>	<u>\$ 7,790</u>



**SOUTHEASTERN FEDERAL POWER PROGRAM  
JIM WOODRUFF SYSTEM****STATEMENTS OF CASH FLOWS  
YEARS ENDED SEPTEMBER 30, 2002 AND 2001 (IN THOUSANDS)**

	2002	2001
Cash flows from operating activities:		
Net deficit	\$ (941)	\$ (3,002)
Adjustments to reconcile net deficit to net cash provided by operating activities:		
Depreciation	899	701
Net interest on Federal investment	1,510	891
Increase in accounts receivable	(117)	(8)
Decrease (increase) in other assets	(52)	1
Increase (decrease) in accounts payable	(503)	256
Increase in accrued liabilities	<u>1</u>	<u>-</u>
Net provided by (used in) operating activities	<u>797</u>	<u>(1,161)</u>
Cash used in investing activities - investment in utility plant	<u>(4,083)</u>	<u>(7,245)</u>
Cash flows from (used in) financing activities:		
Congressional appropriations	8,151	10,227
U.S. Treasury transfers to continuing fund	293	446
Transfers from other Federal agencies	124	122
Funds returned to Treasury	<u>(4,752)</u>	<u>(2,653)</u>
Net cash provided by financing activities	<u>3,816</u>	<u>8,142</u>
Net increase (decrease) in cash	530	(264)
Cash at beginning of year	<u>607</u>	<u>871</u>
Cash at end of year	<u>\$ 1,137</u>	<u>\$ 607</u>
Supplemental disclosure of noncash investing and financing activities:		
Interest charged to construction	<u>\$ 850</u>	<u>\$ 1,134</u>

# SEPA

**Exhibit III**  
**Page 1 of 3**

## **SOUTHEASTERN FEDERAL POWER PROGRAM CUMBERLAND BASIN SYSTEM**

### **STATEMENTS OF ASSETS, FEDERAL INVESTMENT, AND LIABILITIES YEARS ENDED SEPTEMBER 30, 2002 AND 2001 (IN THOUSANDS)**

	<b>2002</b>	<b>2001</b>
<b>Assets:</b>		
Utility plant:		
Plant in service	\$ 380,251	\$ 378,016
Less accumulated depreciation	<u>(144,307)</u>	<u>(138,182)</u>
Plant in service, net	235,944	239,834
Construction work in progress	<u>2,525</u>	<u>2,375</u>
Net utility plant	<u>238,469</u>	<u>242,209</u>
<b>Current assets:</b>		
Cash	6,005	3,512
Accounts receivable	1,598	1,595
Other	<u>26</u>	<u>26</u>
Total current assets	<u>7,629</u>	<u>5,133</u>
Total assets	<u><u>\$ 246,098</u></u>	<u><u>\$ 247,342</u></u>
<b>Federal investment and liabilities:</b>		
Federal investment:		
Congressional appropriations	\$ 739,928	\$ 714,249
U.S. Treasury transfers to continuing fund	1,461	1,227
Transfers from other Federal agencies	11,360	10,170
Accumulated interest on Federal investment	264,885	259,831
Funds returned to Treasury	<u>(859,009)</u>	<u>(829,946)</u>
Net outstanding Federal investment	158,625	155,531
Accumulated net revenues	<u>86,048</u>	<u>89,542</u>
Total Federal investment	<u>244,673</u>	<u>245,073</u>
<b>Current liabilities:</b>		
Accounts payable	1,345	2,194
Accrued liabilities	<u>80</u>	<u>75</u>
Total current liabilities	<u>1,425</u>	<u>2,269</u>
Total Federal investment and liabilities	<u><u>\$ 246,098</u></u>	<u><u>\$ 247,342</u></u>

**SOUTHEASTERN FEDERAL POWER PROGRAM  
CUMBERLAND BASIN SYSTEM****STATEMENTS OF REVENUES, EXPENSES, AND ACCUMULATED NET REVENUES  
YEARS ENDED SEPTEMBER 30, 2002 AND 2001 (IN THOUSANDS)**

	2002	2001
Operating revenues:		
Electric	\$ 38,452	\$ 31,081
Other	<u>817</u>	<u>757</u>
Total operating revenues	<u>39,269</u>	<u>31,838</u>
Operating expenses:		
Operations	11,067	11,467
Maintenance	9,788	8,746
Transmission	9,938	9,809
Purchased power	-	1,635
Pension expense	<u>1,164</u>	<u>1,109</u>
Total operating expenses, excluding depreciation	31,957	32,766
Depreciation	<u>6,192</u>	<u>6,192</u>
Total operating expenses	<u>38,149</u>	<u>38,958</u>
Net operating revenue (deficit)	<u>1,120</u>	<u>(7,120)</u>
Interest expense:		
Interest on Federal investment	5,054	4,152
Less interest charged to construction	<u>(440)</u>	<u>(90)</u>
Net interest expense	<u>4,614</u>	<u>4,062</u>
Net deficit	(3,494)	(11,182)
Accumulated net revenues:		
Beginning of year	<u>89,542</u>	<u>100,724</u>
End of year	<u>\$ 86,048</u>	<u>\$ 89,542</u>

**SOUTHEASTERN FEDERAL POWER PROGRAM  
CUMBERLAND BASIN SYSTEM****STATEMENTS OF CASH FLOWS  
YEARS ENDED SEPTEMBER 30, 2002 AND 2001 (IN THOUSANDS)**

	2002	2001
Cash flows from operating activities:		
Net deficit	\$ (3,494)	\$ (11,182)
Adjustments to reconcile net deficit to net cash provided by operating activities:		
Depreciation	6,192	6,192
Net interest on Federal investment	4,614	4,062
Increase in accounts receivable	(3)	(38)
Decrease in other assets	-	1
Increase (decrease) in liabilities:		
Accounts payable	(849)	42
Accrued liabilities	5	7
Net cash provided by (used in) operating activities	<u>6,465</u>	<u>(916)</u>
Cash used in investing activities - investment in utility plant	<u>(2,012)</u>	<u>(1,374)</u>
Cash flows provided by (used in) financing activities:		
Congressional appropriations	25,679	20,435
U.S. Treasury transfers to continuing fund	234	450
Transfers from other Federal agencies	1,190	1,579
Funds returned to Treasury	<u>(29,063)</u>	<u>(20,841)</u>
Net cash (used in) provided by financing activities	<u>(1,960)</u>	<u>1,623</u>
Net increase (decrease) in cash	2,493	(667)
Cash at beginning of year	<u>3,512</u>	<u>4,179</u>
Cash at end of year	<u>\$ 6,005</u>	<u>\$ 3,512</u>
Supplemental disclosure of noncash investing and financing activities:		
Interest charged to construction	<u>\$ 440</u>	<u>\$ 90</u>

**SOUTHEASTERN FEDERAL POWER PROGRAM  
KERR-PHILPOTT SYSTEM****STATEMENTS OF ASSETS, FEDERAL INVESTMENT, AND LIABILITIES  
SEPTEMBER 30, 2002 AND 2001 (IN THOUSANDS)**

	2002	2001
Assets:		
Utility plant:		
Plant in service	\$ 93,408	\$ 92,968
Less accumulated depreciation	<u>(50,997)</u>	<u>(43,151)</u>
Plant in service, net	42,411	49,817
Construction work in progress	<u>11,526</u>	<u>6,748</u>
Net utility plant	<u>53,937</u>	<u>56,565</u>
Current assets:		
Cash	5,693	5,889
Accounts receivable	942	749
Other	<u>52</u>	<u>59</u>
Total current assets	<u>6,687</u>	<u>6,697</u>
Total assets	<u>\$ 60,624</u>	<u>\$ 63,262</u>
Federal investment and liabilities:		
Federal investment:		
Congressional appropriations	\$ 295,647	\$ 285,889
U.S. Treasury transfers to continuing fund	2,974	2,415
Transfers from other Federal agencies	2,214	1,899
Accumulated interest on Federal investment	60,761	60,131
Funds returned to Treasury	<u>(340,083)</u>	<u>(334,647)</u>
Net outstanding Federal investment	21,513	15,687
Accumulated net revenues	<u>36,301</u>	<u>46,358</u>
Total Federal investment	<u>57,814</u>	<u>62,045</u>
Current liabilities:		
Accounts payable	2,770	1,180
Accrued liabilities	<u>40</u>	<u>37</u>
Total current liabilities	<u>2,810</u>	<u>1,217</u>
Total Federal investment and liabilities	<u>\$ 60,624</u>	<u>\$ 63,262</u>



**SOUTHEASTERN FEDERAL POWER PROGRAM  
KERR-PHILPOTT SYSTEM****STATEMENTS OF REVENUES, EXPENSES, AND ACCUMULATED NET REVENUES  
YEARS ENDED SEPTEMBER 30, 2002 AND 2001 (IN THOUSANDS)**

	2002	2001
Operating revenues:		
Electric	\$ 10,000	\$ 9,091
Other	<u>591</u>	<u>580</u>
Total operating revenues	<u>10,591</u>	<u>9,671</u>
Operating expenses:		
Operations	5,854	5,213
Maintenance	1,029	603
Transmission	4,180	2,101
Purchased power	1,288	-
Pension expense	<u>313</u>	<u>301</u>
Total operating expenses, excluding depreciation	12,664	8,218
Depreciation	<u>7,851</u>	<u>2,358</u>
Total operating expenses	<u>20,515</u>	<u>10,576</u>
Net operating deficit	(9,924)	(905)
Interest on Federal investment	630	319
Less: interest charged to construction	<u>(497)</u>	<u>(220)</u>
Net interest expense	<u>133</u>	<u>99</u>
Net deficit	(10,057)	(1,004)
Accumulated net revenues:		
Beginning of year	<u>46,358</u>	<u>47,362</u>
End of year	<u>\$ 36,301</u>	<u>\$ 46,358</u>

**SOUTHEASTERN FEDERAL POWER PROGRAM  
KERR-PHILPOTT SYSTEM****STATEMENTS OF CASH FLOWS  
YEARS ENDED SEPTEMBER 30, 2002 AND 2001 (IN THOUSANDS)**

	2002	2001
Cash flows from operating activities:		
Net deficit	\$ (10,057)	\$ (1,004)
Adjustments to reconcile net deficit to net cash provided by operating activities:		
Depreciation	7,851	2,358
Net interest on Federal investment	133	99
Decrease (increase) in current assets:		
Accounts receivable	(193)	28
Other	7	2
(Decrease) increase in liabilities:		
Accounts payable	1,590	(1,575)
Accrued liabilities	3	3
Net cash used in operating activities	<u>(666)</u>	<u>(89)</u>
Cash used in investing activities - investment in utility plant	<u>(4,726)</u>	<u>(3,900)</u>
Cash flows from (used in) financing activities:		
Congressional appropriations	9,758	12,796
U.S. Treasury transfers to continuing fund	559	504
Transfers from other Federal agencies	315	423
Funds returned to Treasury	<u>(5,436)</u>	<u>(8,088)</u>
Net cash provided by financing activities	<u>5,196</u>	<u>5,635</u>
Net (decrease) increase in cash	(196)	1,646
Cash at beginning of year	<u>5,889</u>	<u>4,243</u>
Cash at end of year	<u>\$ 5,693</u>	<u>\$ 5,889</u>
Supplemental disclosure of noncash investing and financing activities:		
Interest charged to construction	<u>\$ 497</u>	<u>\$ 220</u>

## SOUTHEASTERN FEDERAL POWER PROGRAM

COMBINING STATEMENTS OF ASSETS, FEDERAL INVESTMENT, AND LIABILITIES  
SEPTEMBER 30, 2002 AND 2001 (in thousands)

	2002			2001		
	Corps of Engineers	Southeastern Power Administration	Total	Corps of Engineers	Southeastern Power Administration	Total
<b>ASSETS</b>						
Utility Plant:						
Plant in service	\$ 1,935,909	\$ 1,366	\$ 1,937,275	\$ 1,603,180	\$ 1,264	\$ 1,604,444
Less accumulated depreciation	(529,294)	(461)	(529,755)	(509,987)	(359)	(510,346)
Plant in service, net	1,406,615	905	1,407,520	1,093,193	905	1,094,098
Construction work in progress	83,901	-	83,901	783,015	-	783,015
Net utility plant	1,490,516	905	1,491,421	1,876,208	905	1,877,113
Current Assets:						
Cash	31,282	7,085	38,367	22,746	5,792	28,538
Accounts receivable	1,616	12,493	14,109	96	11,804	11,900
Other	5,164	-	5,164	4,135	-	4,135
Total current assets	38,062	19,578	57,640	26,977	17,596	44,573
Total assets	\$ 1,528,578	\$ 20,483	\$ 1,549,061	\$ 1,903,185	\$ 18,501	\$ 1,921,686
<b>FEDERAL INVESTMENT AND LIABILITIES</b>						
Federal investment:						
Congressional appropriations	\$ 2,936,053	\$ 360,985	\$ 3,297,038	\$ 2,907,581	\$ 356,098	\$ 3,263,679
U.S. Treasury transfers to continuing fund	-	37,645	37,645	-	28,129	28,129
Transfers from other Federal agencies	36,972	1,659	38,631	32,742	1,918	34,660
Accumulated interest on Federal investment	1,373,394	667	1,374,061	1,664,999	579	1,665,578
Funds returned to Treasury	(2,919,247)	(387,066)	(3,306,313)	(2,820,321)	(373,439)	(3,193,760)
Net outstanding Federal investment	1,427,172	13,890	1,441,062	1,785,001	13,285	1,798,286
Accumulated net revenues	80,858	-	80,858	96,293	-	96,293
Total Federal investment	1,508,030	13,890	1,521,920	1,881,294	13,285	1,894,579
Current liabilities:						
Accounts payable	20,548	6,259	26,807	21,891	4,902	26,793
Accrued liabilities	-	334	334	-	314	314
Total current liabilities	20,548	6,593	27,141	21,891	5,216	27,107
Total Federal investment and liabilities	\$ 1,528,578	\$ 20,483	\$ 1,549,061	\$ 1,903,185	\$ 18,501	\$ 1,921,686

## SOUTHEASTERN FEDERAL POWER PROGRAM

COMBINING STATEMENTS OF REVENUES, EXPENSES, AND ACCUMULATED NET REVENUES  
YEARS ENDED SEPTEMBER 30, 2002 AND 2001 (in thousands)

	2002			2001		
	Corps of Engineers	Southeastern Power Administration	Total	Corps of Engineers	Southeastern Power Administration	Total
Operating Revenues:						
Electric	\$ 89,800	\$ 62,191	\$ 151,991	\$ 80,870	\$ 61,409	\$ 142,279
Other	8,675	1	8,676	7,629	3	7,632
Total operating revenues	98,475	62,192	160,667	88,499	61,412	149,911
Operating Expenses:						
Operations	28,362	4,780	33,142	35,739	4,862	40,601
Maintenance	24,957	47	25,004	24,779	52	24,831
Transmission	-	29,448	29,448	-	28,052	28,052
Purchased power	-	27,411	27,411	-	28,087	28,087
Pension expense	2,933	272	3,205	2,847	248	3,095
Total operating expenses, excluding depreciation	56,252	61,958	118,210	63,365	61,301	124,666
Depreciation	20,878	146	21,024	23,148	92	23,240
Total operating expenses	77,130	62,104	139,234	86,513	61,393	147,906
Net operating revenues	21,345	88	21,433	1,986	19	2,005
Interest expense:						
Interest on Federal investment	81,330	88	81,418	83,007	19	83,026
Less: Interest charged to construction	(44,550)	-	(44,550)	(43,896)	-	(43,896)
Net interest expense	36,780	88	36,868	39,111	19	39,130
Net deficit	(15,435)	-	(15,435)	(37,125)	-	(37,125)
Accumulated net revenues:						
Beginning of year	96,293	-	96,293	133,418	-	133,418
End of year	\$ 80,858	\$ -	\$ 80,858	\$ 96,293	\$ -	\$ 96,293

## **SOUTHEASTERN FEDERAL POWER PROGRAM**

### **COMBINING STATEMENTS OF CASH FLOWS**

**YEARS ENDED SEPTEMBER 30, 2002 AND 2001 (in thousands)**

	2002			2001		
	Corps of Engineers	Southeastern Power Administration	Total	Corps of Engineers	Southeastern Power Administration	Total
Cash flows from operating activities						
Net deficit	\$ (15,435)	\$ -	\$ (15,435)	\$ (37,125)	\$ -	\$ (37,125)
Adjustments to reconcile net deficit to net cash provided by operating activities:						
Depreciation	20,878	146	21,024	23,148	92	23,240
Net interest on Federal investment	36,780	88	36,868	39,111	19	39,130
(Increase) decrease in assets:						
Accounts receivable	(1,520)	(689)	(2,209)	187	(334)	(147)
Other assets	(1,029)		(1,029)	(506)		(506)
Increase in liabilities:						
Accounts payable	(1,343)	1,357	14	7,835	124	7,959
Accrued liabilities	-	20	20	-	32	32
Net cash provided by (used in) operating activities	38,331	922	39,253	32,650	(67)	32,583
Cash used in investing activities - investment in utility plant	(23,864)	(146)	(24,010)	(49,382)	(695)	(50,077)
Cash flows from (used in) financing activities:						
Congressional appropriations	88,765	4,887	93,652	105,431	3,891	109,322
U.S. Treasury transfers to continuing fund	-	9,516	9,516	-	9,052	9,052
Transfers from other Federal agencies	4,230	(259)	3,971	4,227	248	4,475
Funds returned to Treasury	(98,926)	(13,627)	(112,553)	(87,956)	(14,973)	(102,929)
Net cash provided by (used in) financing activities	(5,931)	517	(5,414)	21,702	(1,782)	19,920
Net increase (decrease) in cash	8,536	1,293	9,829	4,970	(2,544)	2,426
Cash at beginning of year	22,746	5,792	28,538	17,776	8,336	26,112
Cash at end of year	\$ 31,282	\$ 7,085	\$ 38,367	\$ 22,746	\$ 5,792	\$ 28,538
Supplemental disclosure of noncash investing and financing activities						
Interest charged to construction	\$ 44,550	\$ -	\$ 44,550	\$ 43,896	\$ -	\$ 43,896
Write-off of accumulated interest on Federal investment (Note 7)	\$ 372,935	\$ -	\$ 372,935	\$ -	\$ -	\$ -
Write-off of Congressional appropriations (Note 7)	\$ 60,293	\$ -	\$ 60,293	\$ -	\$ -	\$ -



# SOUTHEASTERN FEDERAL POWER PROGRAM

Exhibit VI

## AMOUNT AND ALLOCATION OF PLANT INVESTMENT YEAR ENDED SEPTEMBER 30, 2002 (in thousands)

Projects in Service & Other	Total (Unaudited)	Reimbursable Power	Allocated to				Percent of Total Plant Investment Allocated to Power (Unaudited)
			Navigation	Flood Control	Nonreimbursable (Unaudited) Fish & Wildlife	Recreation	
Allatoona	\$ 58,455	\$ 39,507	\$ -	\$ 8,628	\$ -	\$ 10,088	(a) 67.6%
Buford	82,138	62,243	2,025	4,580	-	13,290	75.8%
Carters	151,679	129,985	-	13,558	-	8,136	85.7%
J. Strom Thurmond	149,628	129,295	4,516	4,152	-	11,665	86.4%
Walter F. George	171,431	100,294	61,747	-	348	9,042	58.5%
Hartwell	173,479	154,936	3,585	4,535	-	10,423	89.3%
Robert F. Henry	100,349	64,186	23,655	-	-	12,508	64.0%
Millers Ferry	87,500	52,656	29,990	-	-	4,854	60.2%
West Point	157,215	64,438	2,598	19,795	16,098	54,286	41.0%
Richard B. Russell	746,450	675,221	-	4,536	-	66,693	90.5%
Marketing facilities Contributions in aid of construction	846	846	-	-	-	-	100.0%
Total GA-ALA-SC System	(6) 1,879,164	(6) 1,473,601	128,116	59,784	16,446	200,985	100.0%
Jim Woodruff Marketing facilities	98,491	59,837	32,191	-	-	6,463	78.4%
Total Jim Woodruff System	98,519	59,865	32,191	-	-	6,463	60.8%
Barkley	195,776	49,608	114,971	22,697	-	8,500	25.3%
J. Percy Priest	67,849	11,668	-	25,762	-	30,419	17.2%
Cheatham	51,177	21,516	24,925	-	-	4,736	42.0%
Cordell Hull	90,623	42,518	17,492	-	-	24,269	(c) 46.9%
Old Hickory	69,752	39,236	24,996	-	-	5,520	56.3%
Center Hill	80,549	39,475	-	28,879	-	11,498	(b) 49.0%
Dale Hollow	35,284	20,492	-	10,644	-	4,148	58.1%
Wolf Creek	219,573	130,158	-	81,531	-	7,638	(b) 59.3%
Laurel	51,725	27,557	-	-	-	18,141	(c) 53.3%
Stonewall Jackson	211,393	806	-	35,888	-	174,699	0.4%
Marketing facilities Contributions in aid of construction	328	328	-	-	-	-	100.0%
Total Cumberland Basin System	(586) 1,073,443	(586) 382,776	182,384	205,401	-	289,568	100.0%
John H. Kerr	129,179	96,039	-	24,604	-	8,176	35.7%
Philpott	18,735	8,731	-	8,018	-	1,986	(a) 74.3%
Marketing facilities	164	164	-	-	-	-	46.6%
Total Kerr-Philpott System	148,078	104,934	-	32,622	-	10,162	100.0%
Total	\$ 3,199,204	\$ 2,021,176	\$ 342,691	\$ 297,807	\$ 16,446	\$ 507,178	70.9%
						\$ 13,906	63.2%

(a) Water Supply  
(b) World War II Suspension Costs  
(c) Area Redevelopment